EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year

Friday March 6 1992

D 8523A

Austria	Sch30	Indonesia	Rp3550	Pakistan	Rs25
Bahrain	Din1.000	Israel	Shk5.50	Philippines	Pes45
Belgium	BFr60	Italy	L2500	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.25	Portugal	Esc180
Czech	Kcs35	Korea	Won 2500	Qatar	QR10.00
Denmark	DKr14	Kuwait	Fils.500	S.Arabia	SR9.00
Egypt	E£4.00	Lebanon	L£1,250	Singapore	S$4.10
Finland	FM10	Lux	LFr60	Spain	Pta200
France	FFr8.00	Malta	Lm0.50	Sweden	SKr14
Germany	DM3.20	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft182	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

UK BUDGET

Tory hopes hinge on Lamont's speech

Page 14

World News

Squabbles in Whitehall foiled Libyan assets freeze

Disagreement between British government departments prevented the freezing of Libyan assets under UK jurisdiction last November.

Worries that the move could damage London's position as an international financial centre prompted Treasury officials to mount successful opposition to Foreign Office support for the action. Page 4

Germany defends union
Germany launched a passionate defence of European economic and monetary union in an attempt to counter a rising tide of domestic criticism of the Maastricht treaty. Page 16

Kerrey pulls out
US senator Bob Kerrey of Nebraska pulled out of the race for the Democratic presidential nomination. Page 6

More police for S Africa
South Africa announced a programme to recruit almost 5,000 police officers and 11,000 "police assistants" to combat a wave of violent crime cited by rightwingers in opposing President F.W. de Klerk's political reforms. ANC rejects plan for cabinet participation. Page 4

Irish abortion ruling
The Irish Supreme Court ruled that abortion was legal under the country's constitution if it was carried out to protect the life of the mother. Page 3

Plea to ease ivory ban
The southern African governments pushing for the world ivory trade ban to be eased said they would drop demands for export permission now if granted more control over their elephant herds. Page 4

China attacks budget
China objected to Hong Kong's budget, saying it violated a stipulation in the Basic Law – Hong Kong's post-1997 constitution – that spending should be kept within the limits of revenue. Page 4

Ceasefire under threat
A Moldovan ceasefire was threatened when a lorry driver transporting militiamen was shot dead in the self-proclaimed Trans Dnestr republic, home of the Russian-speaking minority. Page 2

Airliner in near miss
A Swiss fighter jet on manoeuvres missed a collision with a London-bound Swissair airliner by only 20 to 50 metres, the Swiss air force said.

Gunman kills six
A rampaging gunman shot dead six residents of the southern Swiss village of Rivera in a two-hour rampage with a Kalashnikov rifle.

England win again
England outplayed Australia to score their third win in the cricket World Cup. South Africa playing the West Indies for the first time in an official international had a comfortable victory. Scores: Australia 171, England 173 for 2; South Africa 200 for 8, West Indies 136. Picture, Page 7

Business Summary

Pipeline deal raises C$600 for Olympia & York

OLYMPIA & York, property developer owned by Toronto's Reichmann family, is set to raise about C$600m ($508m) by selling its controlling interest in Interprovincial Pipe Line, which operates the world's longest network of oil pipelines.

An O&Y subsidiary, G.W. Utilities, indicated it was in the final stages of discussions to sell its 63.5 per cent stake in Interprovincial. Page 17

SCANDINAVIAN Airlines System reported a pre-tax loss of SKr1.2bn ($198m) for 1991, the second straight year it has suffered a deficit following its loss of SKr763m in 1990. Page 18

SIR Clive Sinclair, British inventor, launched an electric bicycle which travels at a top speed of about 20km an hour. The Zike was unveiled seven years after the spectacular flop of Sir Clive's electric tricycle, the C5. Page 16

HEINEKEN, Dutch brewer, posted a 13 per cent rise in net profit in 1991 in spite of a drop in the volume of beer sales caused in part by the Gulf war. Page 18

NIGERIA'S military government delayed implementation of a 30 per cent devaluation scheduled to come into effect on Wednesday afternoon, deepening the uncertainty about Nigeria's exchange rate policy. Page 4

GERMANY: The gathering gloom in the economy was marginally eased by better than expected monthly figures for unemployment and industrial production. Page 3

BANK of Israel warned that 1991 profits at the country's leading commercial banks would be wiped out by politically inspired legislation which took effect yesterday, enforcing extensive write-offs of agricultural debts. Page 4

FUJITSU, Japan's largest computer manufacturer, announced it planned to sell its highest performance supercomputers in the US, a move the company expects to create a political backlash. Page 7

MOTOROLA, US semiconductor and communications group, has signed an agreement with Alps Electric, Japanese electronic components manufacturer, which will bring products based on US-Japanese collaboration in Europe to markets throughout the world this year. Page 7

ALLIANZ, Europe's largest insurer, is likely to make operating losses in excess of DM1.5bn ($897m) on Deutsche Versicherungs, its east German operation, before the business begins trading profitably early in 1998. Page 17

POLYGRAM, music company 80 per cent owned by Philips of the Netherlands, shrugged off the economic downturn in several of its markets to record a 24.8 per cent increase in net income last year to Fl 446m ($236m). Page 17

EUROPEAN Commission has asked the German government to come up with an urgent restructuring plan for the ailing east German shipbuilding industry, as a condition for lifting the EC's ceiling on state aid to the shipyards. Page 3

FT No. 31,702

Lime Street turns sour for Lloyd's Names

By Andrew Jack in London

MR GEORGE PAKOZDI chuckles about his most recent demand for £300,000 ($515,000) from Lloyd's of London. "It might as well be £3m," he says. "I went through a period when I couldn't laugh, but you can't cry all the time. They can only shoot me once."

Mr Pakozdi is a Name – one of the individuals whose assets back underwriting at Lloyd's. He is a dentist living in Toronto, far from the futuristic buildings and ancient traditions of the London-based insurance market.

He is one of hundreds of people from diverse backgrounds who were introduced to Lloyd's over the past decade through Lime Street Underwriting Agencies, a company which is now insolvent and whose creditors meet today to vote on winding it up.

The lessons of Lime Street – named after the address of Lloyd's itself – are not necessarily typical of how Lloyd's worked during the 1980s, but they illustrate how badly things could go wrong.

From its headquarters in a restored house in Houndsditch, on the edge of the City of London, Lime Street recruited about 450 Names with nearly £200m in assets. It acted as a members' agency by enrolling them in syndicates – groups of Names that underwrite insurance contracts.

Lime Street Names now constitute a significant proportion of applications to Lloyd's hardship committee, which is considering the cases of individuals without the assets to pay their obligations.

Many were enrolled in syndicates such as Gooda Walker 290 and 387, and Feltrim 540, which are among the syndicates with the largest losses. "Lime Street Names are among the most wounded by events at Lloyd's and feel incompetently advised by Lime Street," said Mr Guy Sutton, a solicitor representing some of them.

The history of Lime Street began in 1976, when Mr Robin Kingsley, a Name and a broker, created two members' agencies, Lime Street Underwriting Agencies and Kingsley Carritt Underwriting Agencies, with which it later merged. "Robin wanted more than anything to be a Name," says a member of his family. "Lloyd's was a God, a religion, an obsession to him."

One underwriting agent who always avoided doing business with Mr Kingsley says: "He looked very sleek, with a double-breasted suit and a tan. He drove a Rolls Royce from a very early age. I'm sure he had friends, but I never liked him." He recalls one occasion when many syndicates were losing money in the 1960s. Mr Kingsley had earned a profit from his own syndicates. "Robin walked past me, stopped, pulled out a cheque, showed me the amount and gloated."

Mr Kingsley specialised in excess-of-loss (XoL) and London market excess (LMX) syndicates, which write reinsurance business – taking on risk from syndicates seeking cover against catastrophic events. Reinsuring syndicates normally reinsure their own risk with other LMX syndicates.

The theory was that any catastrophe which caused big losses on XoL syndicates that would push premiums up substantially, allowing syndicates to enjoy extremely profitable later years. Mr Kingsley was a pioneer of personal stop-loss insurance, in effect, reinsurance for individual Names.

Mr Kingsley ran a substantial recruitment campaign to attract Names to his business. Like his father, he was a keen tennis player and a member of the All England Lawn Tennis Club at Wimbledon, and persuaded players including Mark Cox and Buster Mottram to join his business.

But he also found people whose financial position was more precarious. One London antiques dealer who had known him as a regular customer for more than 15 years says that when he bought his house – his only significant asset – and while he was still

Continued on Page 16

Campaign for US presidency intensifies

Democrat Kerrey quits race for the White House

By George Graham in Washington

THE field of contenders for the Democratic nomination for the US presidency narrowed when Senator Bob Kerrey of Nebraska said yesterday he was ending his campaign.

Mr Kerrey had been widely expected to become a popular candidate when he announced last September that he would stand. But he has won only a single state primary, and has failed to raise enough money to continue campaigning.

"We had plenty of enthusiasm. Unfortunately we didn't have plenty of money," he said.

His withdrawal raises the prospect of the Democratic campaign being a duel between former Senator Paul Tsongas of Massachusetts and Governor Bill Clinton of Arkansas.

The campaign of Senator Tom Harkin of Iowa appears to be in danger. Also short of money, Mr Harkin has yet to win a primary, but hopes to keep his presidential bid alive at least until the Illinois and Michigan primaries on March 17, where his trade union support could help him.

In the Republican race, President George Bush yesterday flew to campaign in South Carolina against his rightwing challenger Mr Pat Buchanan for tomorrow's vote.

He sharply attacked Mr Buchanan, who has embarrassed him by repeatedly winning between 30 per cent and 40 per cent of the votes in Republican primaries.

"Anyone can demagogue but the president must make decisions. Sometimes you have to make the tough call. The presidency is not a popularity contest," he said.

Mr Kerrey yesterday apologised for recent attacks on the two Democratic frontrunners.

"I have exercised political hyperbole on occasion and called them unelectable, but with each passing day it is clear to me that the only unelectable politician running for president of the US is George Bush", he said.

Mr Kerrey has in recent weeks bitterly attacked Mr Clinton for escaping the Vietnam war draft, saying Mr Bush would use this issue to "open him up like a soft peanut" in the presidential election.

Yesterday, however, he said that, if Mr Clinton won the Democratic nomination, he would "campaign feverishly to make certain he wins the election in November".

Enthusiastically supported by many of his colleagues in Congress, Mr Kerrey brought to the race a gallant war record, a touch of film star glamour, a reputation for standing up for his principles and a biting tongue. His principal policy plank – a proposal for a national health insurance scheme – appeared to be high among voters' preoccupations.

But Mr Kerrey has seemed unable to move beyond health care and his war record to articulate a vision of why he wanted to become the country's next president.

His only victory came in South Dakota, next to his native Nebraska. In the seven states which held primaries or caucuses on Tuesday, his best showing was in Colorado, where he won 12 per cent of the vote – still leaving him in fourth place.

Nor were his prospects any better for next week's Super Tuesday contest; the 11 states which vote then seem likely to be split between Mr Tsongas and Mr Clinton.

Mr Clinton is expected to dominate Super Tuesday because of his greater appeal in the seven southern states voting that day, but Mr Tsongas should win Rhode Island and his home state, Massachusetts.

Battle over budget, Page 6

Bowing out: Bob Kerrey announces on Capitol Hill that he is dropping out of the Democratic presidential race

BIS chief warns of financial crisis

By Peter Marsh, Economics Staff, in London

A WARNING that the world might be running the risk of financial crisis came last night from Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements, the central bankers' bank.

Speaking at the City University in London, Mr Lamfalussy said a crisis could be triggered by the pace of financial deregulation over the past few years, unstable asset prices and a lack of transparency in financial systems.

Mr Lamfalussy, a highly respected figure in the international financial community and a long-time advocate of prudence in monetary and fiscal policy, said the changes in the financial world in recent years had created "fertile ground for full-blown crises".

The removal of regulatory barriers which had provided new sources of finance for many individuals and organisations had brought "numerous benefits" from the vantage point of users of financial services.

But the downside was the "systemic risk" that such a process involved, he said.

In a world in which huge amounts of money could be shifted between organisations in seconds, "you have prime ingredients for an environment in which financial asset prices become more unstable, adding to the dangers of increased fragility".

Computer users wait for Michelangelo to strike

By Louise Kehoe in San Francisco and Alan Cane in London

FOR millions of personal computer users around the world, turning on the familiar desktop machine this morning could be a moment of truth. Today, the widely feared Michelangelo computer virus is set to strike, wiping out data files on infected computers.

The level of concern over Michelangelo, however, varies from country to country and seems to be proportional to the amount of interest the media is taking in its destructive potential.

Michelangelo fever is widespread in the US and Germany, where the risks to personal computer users have been broadcast widely. In the UK on the other hand, concern is muted.

Those who have yet to take precautions against Michelangelo face the choice of risking the destruction of files stored on their computer hard discs, or giving up for 24 hours what has become for many an essential business tool. Only when the computer is turned on can the virus be activated. Michelangelo is triggered by the "clock" inside a personal computer.

It is set to attack today, on the anniversary of the Italian Renaissance artist's birth. In the US, many companies, universities and government agencies have taken the precaution of ordering employees to protect their computer data by scanning IBM-compatible personal computers with special programs designed to detect and eradicate the virus.

Computer stores have been overwhelmed by demand for these "disinfectant" programs over the past few days. How widespread the virus infection may be is a matter of conjecture.

Some experts suggest that tens of thousands of computers may be infected, while others say the problem has been blown out of proportion by those who stand to profit from the virus scare.

Some US computer hardware and software manufacturers have admitted to inadvertently spreading the Michelangelo virus in their products.

Leading Edge Products, a US personal computer manufacturer, accidentally shipped 500 computers infected with the virus. DaVinci Systems, a software company, sent out about 900 demonstration disks for its electronic mail system also infected by Michelangelo.

In the latest confirmed case, Intel, the leading microprocessor manufacturer, warned customers in the US and Europe that some networking software it has sold recently may have been infected.

Although the source of this computer scourge remains a mystery, it is the latest in an epidemic of rogue computer programs created by computer hackers that are spreading from one computer to another, primarily via shared "floppy discs".

Those personal computer users who avoid Michelangelo still face another virus scare next Friday, the 13th.

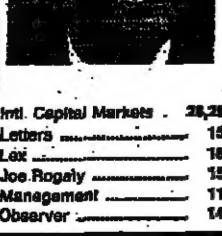
Weekend FT

Tomorrow: Who gets results? We grade 500 UK independent schools and find some surprises

Hard times in St Petersburg

CONTENTS

Miyazawa side-lined by a series of scandals



A series of scandals in Japan has pushed the popularity of prime minister Kiichi Miyazawa (left) so low that officials running an important by-election campaign for his ruling Liberal Democratic party have asked him to stay away

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MARKETS

STERLING
New York lunchtime:
$1.7155
London:
$1.7165 (1.7235)
DM2.87 (2.8825)
FFr9.75 (9.79)
SFr2.615 (2.625)
Y226.25 (227.75)
£ index 90.0 (90.4)

GOLD
New York Comex Apr
$356.0 (351.6)
London:
$350.65 (349.95)

N SEA OIL (Argus)
Brent 15-day Apr
$17.65 (17.425)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.673
FFr5.6875
SFr1.5277
Y132.0
London:
DM1.6715 (1.672)
FFr5.68 (5.68)
SFr1.5235 (same)
Y131.85 (132.2)
$ index 65.2 (65.1)
Tokyo close:Y132.0

US LUNCHTIME RATES
Fed Funds:4$\frac{1}{16}$%
3-mo Treasury Bills:
4.118%
Long Bond:
100$\frac{3}{32}$
yield: 7.83%

STOCK INDICES
FT-SE 100: Yield 4.86
2,538.3 (−20.1)
FT-A All-Share:
1,220.33 (−0.7%)
FT-SE Eurotrack 100:
1,169.56 (−6.77)
New York lunchtime:
DJ Ind. Av.
3,258.94 (−9.62)
S&P Comp
408.12 (−1.21)
Tokyo: Nikkei
20,864.42 (−241.00)

LONDON MONEY
3-month Interbank:
10$\frac{1}{2}$% (10$\frac{7}{16}$%)
Liffe long gilt future:
Jun 96$\frac{3}{8}$ (Jun 96$\frac{11}{32}$)

Kravchuk ends delay on move to free market

By Chrystia Freeland in Kiev

MR Leonid Kravchuk, the Ukrainian president, took his first decisive step towards the market after three months of hesitation yesterday, naming a reformer, Mr Volovymyr Lanovyi, as minister for the economy with a brief to prepare a programme of radical change.

Government officials hinted that Mr Lanovyi's powers might be enhanced by also making him deputy prime minister and creating a special presidential economic reform team under his direction.

Mr Lanovyi, who as minister for privatisation offered an ambitious privatisation package which was finally approved by parliament earlier this week, has the credentials and the ambition to become a Ukrainian version of Poland's Mr Leszek Balcerowicz, spearheading radical reforms.

However, he could be hobbled by a lack of real authority and opposition within what remains a largely conservative cabinet.

Hardliners have also been promoted in Ukraine's slow motion cabinet shuffle and yesterday a reformer, Mr Oleksandr Savchenko, lost his job as deputy governor of the Ukrainian National Bank in a struggle with its conservative head.

The balance of power lies with Mr Kravchuk, whom parliament granted expanded executive authority yesterday.

Mr Kravchuk said that in the past year GDP has fallen by 21 per cent, the government deficit has climbed to Rbs60bn and the rouble overhang – money in savings accounts which consumers are unable to spend – has risen to Rbs130bn.

The Sicilian village that defied the Mafia

Robert Graham reports on a community's common front against extortion

THE carnival in Capo d'Orlando, a prosperous resort below the mountains of the rugged north-eastern coast of Sicily, has been a special occasion this year. The townspeople have been celebrating a great victory over the local Mafia. Capo d'Orlando is the first community in Sicily to organise a common front against Mafia extortion and denounce those seeking protection money. And after a historic trial last November, 15 mafiosi are behind bars.

"We refused to be intimidated," says Mr Francesco Chirieleison, who runs a large jewellery shop off the main square. He was one of 27 businessmen who united to denounce the Mafia in December 1990. "If you pay up, you are finished: and we have shown what happens when you are unafraid to break 'omerta', (the traditional Sicilian law of silence). The state has responded because there was no omerta."

Although Italy is caught up in a campaign for general elections on April 5, in Capo d'Orlando the fight against the Mafia dominates all issues. "The fight is far from over," says Mr Nino Messina, the long-serving Christian Democrat mayor.

Two carabinieri in bullet-proof jackets control cars entering the town. Mr Tano Grassi, a leading member of the Capo d'Orlando anti-Mafia association, is standing as a candidate for the Party of the Democratic Left (PDS), formed from the former Communist party which has always campaigned bravely against the Mafia. He has a full time police protection.

Along the coast at Santa Agata di Militello, 20kms away, two shops were fire-bombed last week in separate incidents in an attempt to intimidate traders who have taken heart from Capo d'Orlando and formed an anti-Mafia front leading to the arrest of four racketeers. At Tortorici, a small town in the mountains behind Capo d'Orlando where traders have taken a similar stance, the Mafia reacted by burning down a new police station.

Mr Chirieleison says the anti-Mafia association does not recognise political parties. "If you get the political parties involved, they will want your vote and it will only be manipulated," he says. "The politicians have helped create the Mafia because they've allowed the state to be weak; and the Mafia thrives where the state is absent."

The politicians however have rushed to recognise Capo d'Orlando. The town has received more politicians and officials in the past three months than in the entire post-war period.

In the wake of the assassination last September of Mr Libero Grassi, a Palermo businessman who publicly refused to pay Mafia protection money, this community has been lionised as a symbol of resistance to the ever growing power of organised crime.

But the police in particular recognise that stopping extortion in Capo d'Orlando is a modest step. Throughout the island the law of silence prevails. There are no witnesses to Mafia killings. In the big cities like Catania and Palermo nine out of ten businesses pay protection money while the 180-odd Mafia clans are reckoned to control at least 60 per cent of all public contracts.

"We need more jobs, especially in the interior, to create a new culture of honest work," says Mr Messina. The mafiosi who began trying to impose their law on Capo d'Orlando three years ago come from the impoverished isolated mountain communities. Here the only investment is from immigrants returning with their savings from northern Italy to build holiday or retirement homes.

"The elections won't change things much. Besides we've had so many of them and I can't see the vote pattern altering much," adds Mr Messina.

Eastern Sicily consistently records one of the highest Christian Democrat votes throughout Italy, and Sicily is solidly behind the party. In the last general elections of 1987, Capo d'Orlando recorded a 44 per cent vote for the Christian Democrats, 10 percentage points above the national average.

"The Christian Democrats get the vote because voters see them as the party of power and hope they might call in some favour, and traditionally the Church has been behind them – even if this is the party which has been most compliant towards the Mafia," says a PDS activist.

The PDS has no illusions about faring badly in Sicily. It reckons it has lost votes as a result of the collapse of the Communist party; but also its support has been eroded by the appearance of a protest party, La Rete, headed by Mr Leoluca Orlando, the former Christian Democrat mayor of Palermo.

To the caustic comments of many a Sicilian, Mr Umberto Bossi, the leader of the north Italian populist movement, the Lombard League, has decided to flex his political muscles by declaring himself a candidate for Catania on an anti-Mafia ticket. Significantly the anti-Mafia platform has been implicitly taken on board by the Christian Democrats in their poster campaign in Sicily with the slogan "The right to exist".

But the propaganda campaign is limited to the big cities in seeming recognition that Sicilian voters are either indifferent or committed and the money is best spent elsewhere in Italy.

A family weep in Agdam, Azerbaijan, yesterday, embracing the coffin of one of the victims killed in Nagorno-Karabakh. More than 200 bodies have been recovered from the massacre.

The armed conflict yesterday prompted Azeri parliamentarians to demand the resignation of their president, as they sought an outlet for their anger at recent battlefield setbacks, Reuter reports from Baku.

Outside the parliament, thousands of demonstrators pushed through police cordons to bang on the building's windows. They accused President Ayaz Mutalibov of doing nothing to help Azeri fighters in their campaign against Armenia.

"Resign, resign," chanted the crowd. One window pane was smashed. Many demonstrators lost relatives when Armenian forces seized a village in the disputed territory of Nagorno-Karabakh.

Shooting threatens Moldova peace

By John Lloyd in Moscow

A CEASEFIRE in Moldova was threatened yesterday when a truck driver transporting militiamen was shot dead by machinegun fire in the self-proclaimed Trans Dnestr republic, home of the Russian-speaking minority.

The shooting came shortly after the ceasefire came into effect between the Moldovan authorities, dominated by ethnic Romanians, and the minority based in the republic on the east bank of the river Dnestr. At least nine people have been killed in clashes over the past week.

As in the more severe conflict in Nagorno-Karabakh, the underlying tensions are growing and neither side believes it is losing. In other respects, however, the conflicts are quite different and illustrate the complexity of conflict with which the former Soviet Union is now faced.

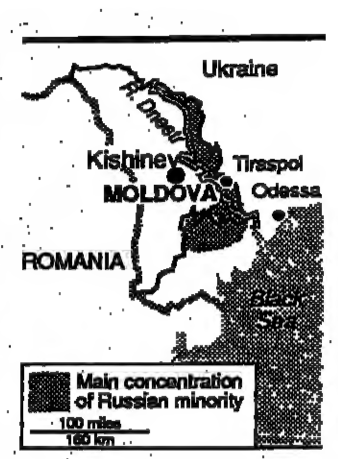
The Trans Dnestr conflict stems directly from the breakup of the Soviet Union while Nagorno-Karabakh has been a source of tension between Azeris and Armenians for centuries.

Moldova (formerly Moldavia) was finally taken under full Soviet control in 1944.

The Soviet leadership sought to stifle any attempts to preserve its former links with Romania – calling Moldovan a separate language from Romanian, and constructing a separate history for the Moldovan people.

Industry was largely situated on the left bank of the Dnestr, in the sliver of the republic next to Ukraine, and largely staffed by Russians and Ukrainians. Ukrainians and Russians together represent some 27 per cent of the population, with Moldovans accounting for 64 per cent.

The little republic (4.5m people) was slow to respond to the stirrings of reform. When it did, in 1989, a language movement quickly put the hardline Communist Party on the defensive and it lost power in 1990 to the present nationalist government, headed by President Mircea Snegur, the former secretary of the Moldovan Party's central committee.



From the beginning of the nationalist movement, it was clear that the Russian and, to a lesser extent, the Ukrainian minorities would be hostile, reacting to laws establishing Moldovan as the official language and to calls for renewed union with Romania with strikes and demonstrations, and, finally last year, proclaiming Trans Dnestr independent under a Russian president, Mr Igor Smirnov.

During the August coup last year, the Moldovan government stoutly rejected it and the Trans Dnestr authorities welcomed it, siding with the Soviet army in its brief efforts to impose military rule.

Thereafter, the two sides have gathered military forces. The Trans Dnestr side has been augmented by Cossacks from nearby areas returning to their traditional role as defenders of Russia's borders. The daily Izvestia reported yesterday that the Cossacks appear to have appointed themselves mercenaries for the Russians (they are paid from Rbs2,000 to Rbs5,000 a week by the Trans Dnestr authorities).

EUROPEAN NEWS

Brittan attacks critics of EC line on mergers

By Andrew Hill in Brussels

SIR LEON Brittan, the EC's competition commissioner, yesterday launched a strong counter-attack against his critics on two fronts - rejecting calls for an independent European merger authority, and warning against the creation of monopolistic "Euro-champions" through mergers.

In a speech to a mainly German audience at a competition symposium in Innsbruck, Austria, Sir Leon said that to wave through anti-competitive mergers would be to subject European industry to "a cruel deception".

It was better to follow the Japanese example and encourage fierce competition on the domestic market, he added.

Sir Leon's speech was partly aimed at his colleague Mr Martin Bangemann, the EC industry commissioner, who is from Germany, and at Mr Wolfgang Kartte, head of the German cartel office, who represent the two sides of the debate on competition and industrial policy.

Mr Bangemann - who hit out last month at the influence of competition "ayatollahs" on EC policy - believes that Sir Leon should sometimes take a more lenient and less legalistic attitude to borderline merger cases.

Mr Kartte, for his part, has attacked the Commission for not being rigorous enough.

In a passage obviously aimed at Mr Bangemann, who is also responsible for the single market, Sir Leon said that the Commission's 17-month-old merger control task force would continue to examine takeovers according to the existing market situation. "You cannot just assume, because we would wish it that way, that the whole of the European Community is the true market for a product," he added.

Mr Bangemann has repeatedly criticised Sir Leon for recommending rejection of the proposed Franco-Italian takeover of De Havilland, the Canadian aircraft manufacturer, last October.

To the dismay of the Italian and French governments, the Commission voted to block the takeover, although Mr Bangemann opposed the decision.

The controversy over the De Havilland case also revived calls for a merger control authority which would be independent of the Commission, in the same way that the German cartel office is independent of the Bonn government.

But Sir Leon said yesterday that the decisions of an independent EC authority would still have to be approved by commissioners or ministers, who would then have "an open invitation" to exercise their political power.

Germany's economic gloom eases slightly

By Quentin Peel in Bonn

THE GATHERING gloom in the German economy was marginally eased yesterday by better-than-expected monthly figures for both unemployment, and industrial production.

But the likelihood of further industrial unrest grew when the government, in negotiations with public sector trade unions, offered a pay rise of only 3.5 per cent, against a demand by workers for 9.5 per cent. The two unions in the banking industry are seeking to extend the strike action they have begun, although the banks insist that the action has barely affected activity.

After a very sharp increase in eastern unemployment in January, from 11.8 to 16.5 per cent, there was a drop of 53,000 in February. That brought the unemployment rate down to 15.9 per cent. In the west, there was a drop of 11,640, bringing the rate down from 6.3 to 6.1 per cent, or 1.86m out of work.

Industrial production in west Germany picked up by 6 per cent in January as against December. However, in comparison with the previous year, the two-month average was still 1.2 per cent down.

Serbs at one of many checkpoints near the Bosnian capital, Sarajevo. The action has raised tension before the arrival of UN troops

UN pledge on sending troops to Bosnia

By Laura Silber in Sarajevo

THE plan to despatch 14,000 United Nations peacekeeping troops to Croatia will proceed despite growing ethnic turmoil in neighbouring Bosnia-Hercegovina, Mr Cyrus Vance, the UN special envoy said yesterday.

Speaking in Sarajevo, the capital of Bosnia, Mr Vance appealed to the leaders of the three main national groups – Moslems, Serbs and Croats – for restraint to avert open conflict in the central republic.

Moslem and Serb militants earlier this week put up roadblocks in and around Sarajevo, designated as the UN headquarters. This raised fears of an eruption of violence which might jeopardise the deployment of the peacekeepers.

The commander and senior aides of the UN force arrive in Yugoslavia this weekend to prepare for the despatch of the troops, from 31 countries, over the next month.

City officials believe that the 700 troops to be stationed in the Bosnian capital will encourage stability in the republic. The peacekeeping operation is due to last at least a year.

● The European Commission said yesterday it would provide 1,500 tonnes of wheat flour to displaced people in Bosnia, Reuter reports from Brussels.

It said it would transport 200 tonnes of flour a day to the Yugoslav republic, with distribution managed by the UN High Commissioner for Refugees and the local Red Cross.

Irish ruling on abortion cites risk to mother's life

By Tim Coone in Dublin

THE Irish Supreme Court yesterday ruled that abortion is legal under the country's constitution, if it is carried out to protect the life of the mother.

The ruling follows the Supreme Court's overturning last week of a High Court injunction which prevented a 14-year-old rape victim from travelling to Britain for an abortion.

It is likely to have far-reaching effects on Ireland's hitherto strict anti-abortion legislation.

A 1983 "right-to-life" constitutional amendment formed the basis of the High Court judgment.

The High Court took the view that under the amendment the unborn child's right to life prevailed over a perceived threat to the girl's life after she had threatened suicide.

However, Judge C J Finlay, the Supreme Court chief justice, ruled: "I am satisfied that . . . there is a real and substantial risk to the life of the mother by self destruction which can only be avoided by termination of her pregnancy". Only one of the five Supreme Court judges dissented.

Brussels demand on Baltic shipyard aid

By Andrew Hill in Brussels

THE EUROPEAN Commission has asked the German government to come up with an urgent restructuring plan for the ailing east German shipbuilding industry, as a condition for lifting the EC's ceiling on state aid to the shipyards.

Government grants to Community shipbuilders are covered by special legislation that outlaws production aid worth more than 9 per cent of contract value.

An independent consultants' report for the Commission has warned that even if they are granted aid at last year's EC maximum of 13 per cent, the yards of Mecklenburg-Vorpommern on the Baltic coast will not survive. Officials would not reveal what proportion of aid the consultants had recommended, except to say that 13 per cent was "far from sufficient".

The east German yards have been beset by strikes for the last week, even though the Treuhand privatisation agency has come up with a plan which would keep the core of the industry intact, as demanded by the workers.

As the crisis in the Baltic shipyards grows, Sir Leon Brittan, the EC's competition commissioner, has written to Bonn warning the German authorities that any attempt to grant aid to the east German shipbuilding industry will require EC permission.

But the Commission is prepared to recommend a temporary raising of the ceiling for the shipyards, probably until the end of 1993, provided Bonn produces a "realistic restructuring plan designed to ensure that these yards achieve the same level of competitiveness as the rest of the Community within an agreed period of time". The final decision on raising the ceiling will lie with EC governments.

Moves to bridge divide between the east and west

By Robert Mauthner in Copenhagen

FOREIGN MINISTERS from all 10 independent states bordering the Baltic Sea agreed here yesterday to revive historic trading and cultural links between them and to create a community with its own specific identity, but closely linked with existing European organisations.

In his opening statement, Mr Uffe Ellemann-Jensen, the Danish foreign minister, said he expected that, 10 years from now, all the countries in the Baltic region would be either members of the European Community, or closely linked to it. "It means that it will be possible to speak of a Baltic Community as a region within the European Community," he said.

"Co-operation in the Baltic region should facilitate the linkage of the European Community with the non-member countries of the region."

The fundamental aim of the German-Danish initiative, which has brought together Germany, Russia, Poland, all the Scandinavian states and the three newly-independent Baltic republics of Lithuania, Latvia and Estonia, is to bridge the divide between western and eastern Europe and to tie the former communist states of the region firmly into the western democratic and free market system.

The conference, which will end today, yesterday decided to establish a Council of the Baltic Sea States, which will serve as a regional forum for intensified co-operation and co-ordination of policies in the region, ranging from trade to the environment, energy, transport, communications, education, culture and humanitarian aid. A priority of the new council, which will meet at foreign minister level once a year, supplemented by more frequent meetings of officials, will be to give technological aid to the former communist states in the region and to help them set up democratic institutions.

Mr Ellemann-Jensen said he saw the Baltic Sea region as one of the most important zones of growth in Europe in the coming decade. It contained a diverse industrial structure, access to raw materials and a highly educated workforce.

Everything possible should be done to realise the growth potential of the region.

Mr Hans-Dietrich Genscher, the German foreign minister, stressed that the new Council's main task was to facilitate the eastern countries' transformation into democratic and free market societies, with a view to their closer association with the EC and the European economic area.

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Beijing raises objection to budget

By Simon Holberton in Hong Kong

THE Chinese government yesterday turned up the heat on Britain's colonial rulers of Hong Kong when a senior official objected to the government's budget presented on Wednesday.

Mr Lu Ping, director of Beijing's Office of Hong Kong and Macao Affairs, said in Guangzhou (Canton) yesterday that *Mr Hamish MacLeod's budget* violated a stipulation in the Basic Law, Hong Kong's post-1997 constitution, that government spending should be kept *within the limits of the revenue* it raised.

He said it appeared as if the Hong Kong government had first determined its expenditure needs and then sought ways of finding the revenue to fund itself.

Although Mr Lu's comments had a familiar ring, a Hong Kong government spokesman said he found Mr Lu's statements "strange."

The budget had been planned along normal lines and kept to the colony's policy of not allowing the growth in expenditure to exceed the *growth rate of the economy.*

He further stated that the budget was not in conflict with the Basic Law and that even if it were it was of no concern of the Chinese government.

The Basic Law was a constitution which came into effect after the Chinese government resumed sovereignty over Hong Kong, and not before, he said.

But Mr Lu's intervention is of a piece with Beijing's attempts, since the signing of the airport agreement last September, to gain greater influence over decision making in *the colony before it is handed* over to China in 1997.

In the airport agreement Britain formally recognised China's right to be consulted over policies which straddle June 1997.

Since then the Chinese government has attempted to further its involvement in the colony's affairs, notably through the creation of a 40-strong "consultative" group of local worthies to advise it on Hong Kong matters.

China has also objected to the "corporatisation" of Radio and Television Hongkong, the *semi-official broadcaster in the* colony.

China envelops HK economy

Simon Holberton reports on an ever closer economic relationship

IF THE stock market is any indication of Hong Kong's future economic prospects, its performance in the first two *months of this year presages* great things for the colony's irrepressible economy.

The market has risen nearly 15 per this year – a rise *explained almost wholly by* one word: China. China now holds the key to Hong Kong's economy in a way it has not since before the Korean war.

Hong Kong's real gross domestic product grew by "only" 4 per cent last year; the government is expecting growth of 5 per cent this year while private sector economists are expecting it to accelerate by 5.5 per cent. The sources of this expansion are expected to be trade and investment, with continuing strong consumer spending.

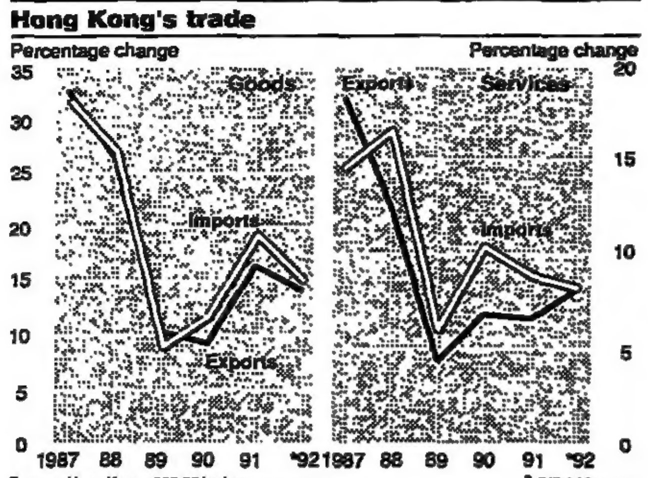
Mr Hamish MacLeod, financial secretary, said in his budget on Wednesday that trade, the backbone of the economy, was expected to be buoyant with exports growing by 14 per cent. Inflation, however, was forecast to remain high with gross domestic product deflator rising at an annual rate of 8.5 per cent, and consumer prices expected to rise at a faster rate – it is stubbornly set above 10 per cent.

Hong Kong's problem with inflation seems likely to remain. There is an extremely tight labour market, with unemployment just 1.4 per cent and on a declining trend, and the government has plans to import 25,000 workers this year.

The inflation problem is also a consequence of the deep structural changes in the economy. Hong Kong is becoming integrated into the southern Chinese economy and a consequence of this is a shift to non-traded services away from traded goods within the colony.

The extent to which Hong *Kong has an independent* economic existence from China is diminishing daily.

Hong Kong's trade



Source: Hong Kong 1992-93 budget statement · * Official forecast

It is reverting to its role as an entrepôt for China as the two economies' comparative advantages – the colony's expertise in trade services, communications and finance and southern China's cheap *labour and land* – begin to reassert themselves.

This marks a return towards the situation of the pre-Korean war period when China accounted for about two thirds of the colony's trade. Today, it is Hong Kong's biggest trading partner, accounting directly for over 30 per cent. Much of this trade includes re-exports related to "outward processing" - the export and import of goods, partially *manufactured* in either Hong Kong or China and finished in either, for the international market.

In 1991, Hong Kong exported goods with a value of HK$765.8bn (£56bn). Of these HK$534.8bn were re-exports, more than 80 per cent of which related to trade with China. As Nomura Research Institute recently observed, Hong Kong is adopting a "head office" role (marketing and finance) and *China the role of the factory.*

As Mr Hadi Soesastro, director of Indonesia's centre for strategic and international studies, observed at a recent conference, a consequence of China adopting a decentralised foreign trade regime in 1979 has been an increase in costs associated with it conducting foreign trade.

"This has created the huge demand for intermediation, which is channeled to Hong Kong due to its comparative advantage in entrepôt trade," he argues.

This explosion in trade with China has sent shock waves throughout the colony's economy. Employment in services related to trade, among other things, has risen from 19.6 per cent in 1980 to *31.5 per cent at the end of last* year. This sector's share of the colony's GDP has risen from 20.4 per cent to 24 per cent (in 1989, the latest year for which figures are available).

There has also been big investment by Hong Kong business in southern China since China opened its door to foreign investment in 1979. Capital has flowed into southern China, principally neighbouring Guangdong *where many of Hong Kong* people have family ties.

By the end of 1990 Hong Kong had contracted to invest US$23.4bn (£13.2bn) directly in China, representing 63 per cent of total contracted foreign investment. Of this $11bn has been put to work, mainly in Guangdong and its special economic zones, creating an estimated 2m jobs in manufacturing in that region.

The rise of manufacturing there has led to a fall off in manufacturing employment in *the colony, as low and* semi-skilled manufacturing jobs have been exported north. In the reverse of what has been happening to employment in services, Hong Kong's manufacturing labour force has fallen from 890,000 (or 37.5 per cent of the workforce) at the beginning of the 1980s to 655,000 at the end of 1991 (23.4 per cent of the workforce.)

However, although services might be providing the growth to the colony's economy, Hong Kong is far from becoming wholly-services based "post-industrial" society as *some economists assert.* The colony's manufacturers have shown themselves to be formidable managers of their sector's apparent "decline".

Despite the fall in employment, manufacturing industry's share of GDP has remained remarkably constant, on the back of sustained improvements in productivity (up 14.5 per cent a year during 1985-89) and investment in new technology.

There is every sign that Hong Kong industry plans to keep its edge as well. Last year it spent almost HK$28bn on plant, machinery and equipment – up 15 per cent on 1990. This year private sector economists expect investment to rise by nearly 19 per cent – a growth rate which should ensure that Hong Kong continues to spend at least 10 per cent of its real income on investment designed to *improve its own productive* base.

Four African states offer deal if ivory ban relaxed

THE southern African governments pushing for a relaxation of the world ivory trade ban announced yesterday *that they would drop demands* for export permission now if granted more control over their elephant herds, writes Robert Thomson in Tokyo.

A joint *statement* by the governments of Zimbabwe, Namibia, Botswana and Malawi at the triennial conference of the Convention on International Trade in Endangered Species (Cites) in Kyoto was made as it became clear that a majority of the 114 member states opposed a lifting of the ivory ban.

The ivory issue is one of the most emotional at the two-week conference, which will also toughen or relax protection of a wide range of other flora and fauna, and attempt to set clearer standards for assessing whether a particular species is endangered.

Instead of a total ban on ivory trade, the four governments want a "voluntary moratorium" *for* a "reasonable period."

They asked for "time to put in place a trading system that would not encourage any illegal *opportunities* for ivory trading," but made clear that they expected a limited trade to be legalised in the longer term.

Dr Simon Lyster, international treaties officer for the World Wide Fund for Nature (WWF), *said the four countries* are moving "in the right direction," but that the WWF is concerned by the proposal for a voluntary moratorium on the ivory trade.

"WWF wants an ivory ban guaranteed by Cites and which can only be changed with the consent of two-thirds of the parties to Cities," he said.

A vote on whether to relax controls on elephants is likely early next week, and many del*egates to the conference* have yet to make clear whether they will vote in favour of allowing trade in elephant skins and meat. The four governments argue *that they should* at least be allowed to trade in non-ivory products.

Patrick Mavros, an ivory carver, in his Harare ivory storeroom. He supports the call of southern African states for a lifting of the world ban on trade in the elephants' tusks.

Nigeria holds back devaluation

By Michael Holman in Lagos

NIGERIA'S military government yesterday delayed implementation of a 30 per cent devaluation scheduled to come into effect on Wednesday afternoon, deepening the uncertainty about Nigeria's exchange rate policy.

The wide gap between official and parallel exchange rate is disturbing Nigerians and external creditors alike, and undermining the country's *structural adjustment* programme with the International Monetary Fund.

Although the Nigerian central bank paved the way for a devaluation of around 30 per cent on Wednesday, the announcement has been held up as President Ibrahim Babangida continues to discuss the implications of the move with senior advisers in Abuja, the new federal capital in central Nigeria.

The president is due to meet a visiting delegation from the IMF next week. It is expected to tell him that a renewal of the country's lapsed standby agreement with the Fund is *partly dependent* on the government's efforts to close the gap between the official rate for the naira, trading at 10.50 to the US dollar, and the parallel market which offers 18.

A new agreement is a precondition to the rescheduling of Nigeria's $34bn external debt. But the president is also under considerable domestic pressure to resist a devaluation. Such a move, coupled with widespread public discontent about corruption and economic mismanagement, could present Gen Babangida with one of his toughest tests since taking office in a 1985 coup.

Yesterday, the central bank *continued to withhold* the outcome of Wednesday's weekly foreign exchange auction which determines the value of the naira. The result is normally declared on Wednesday afternoon.

India gets a big bout of Asian stock market fever

By David Housego in New Delhi and R.C. Murthy in Bombay

"EVERYONE here is watching the stock market 24 hours a day," says the senior partner in a Delhi chartered accountants' practice as he surveys his employees across the desks of an open-plan office.

Stock market fever in the wake of partial deregulation of the financial sector has gripped India as in the past it gripped South Korea, Taiwan, Thailand and other East Asian markets.

In the first two days of trading after Dr Manmohan Singh, the finance minister, presented his budget on Saturday, the Bombay Stock market index (Sensex) climbed 25.8 per cent to 3,472. Since the beginning of the year it has shot up 83 per cent.

Some brokers think the bull market could continue soaring through the 5,000 or 6,000 barrier. In South Korea the market at its peak expanded five-fold in three years.

Others believe shares are already grossly overpriced with companies such as Tata Iron and Steel (Tisco), India's largest private steel manufacturer, trading on a price/earnings ratio of 50 and others much higher.

In an effort to cool the market and to prevent what the Ministry of Finance considers an "irresponsible" pushing up of prices by the bulls among *the brokers, the Bombay Stock* Exchange closed the market yesterday and Wednesday and has imposed far tougher conditions on trading.

It banned all forward trading in the 86 most actively traded stocks and said all purchases must be against cash. In addition each broker can now only purchase Rs1m (£21,760) of shares a day in any one stock and Rs10m in the shares of the 86 most traded stocks.

The boom in the stock market coincides with a continuing fall in industrial output and with a slowing of the rate of economic growth. Industrial growth is expected to be negative in 1991-92 compared with a growth of 8 per cent the year before, while the increase in real gross domestic product has slowed to 2 per cent. The rise in corporate earnings for 1991-92 has also slowed.

"The market is very excitable and is likely to remain so. A correction is inevitable and would be healthy," says Ms Asha Wagle, a director of Perpetual Chescor, which is promoting offshore funds to invest in the Indian market.

The government hopes a rise *in stock market values will* switch savings from property and gold to productive assets.

The market has climbed since July when Dr Singh took over as Finance Minister and presented his first budget. Brokers aggressively brought blue chips in the belief that deregulation must push share prices skywards.

The other main factor that has driven prices up is that mutual funds and other big *purchasers have been flush* with money while new issues have been few. State-owned mutual funds have been draining savings away from bank deposits. New private sector mutual funds are now being set up to compete with the state-owned institutions.

But what turned bullish sentiment to fever was the weekend budget which was unexpectedly favourable to the middle class and the capital markets.

The budget exempted financial assets (shares and bonds) from the calculation of wealth tax. This helped fuel the stock *exchange with funds from the* commodity, real estate, diamond and bullion businesses. It also removed a damper on the market's upward path.

Mr Sevanti Lal Shah of Stewart and Co says: "Earlier on the managers of certain companies usually discouraged a rise in their share prices because this entailed a bigger wealth tax liability for them. That constraint is no longer there."

The finance minister also announced a major measure of deregulation in allowing companies to fix themselves the price and timing of new share issues.

Brokers see the lifting of the government's control over the issue price as a providing a stimulus to the market. *Finally Dr Singh* boosted the market by announcing that foreign pension funds will be allowed to make direct portfolio investments.

The most worrying aspect of market's present dizzy climb is that the Indian stock markets lack a disciplinary body with the teeth to police trading. Insider dealing is common. Recent moves to provide a more effective watchdog through the Securities and Exchange Board of India (SEBI) have failed to reassure critics.

Coalition in Sindh under pressure

By Farhan Bokhari

THE *Pakistani government* was last night seeking to hold together the ruling coalition in the troubled province of Sindh following the death yesterday of Mr Jam Sadiq Ali, the chief minister.

His 18-month rule was notorious for a political vendetta against opposition activists led by Ms Benazir Bhutto, the former prime minister. At the same time, Mr Ali managed to hold together an alliance of independent MPs and a smaller regional party to form the government in Sindh even though Ms Bhutto's Pakistan People's party emerged as the *largest single group after* elections in October 1990.

Sindh is the home base of Ms Bhutto, and events there are also seen as crucial for the *Pakistani economy.*

The coalition plans to nominate the provincial minister for co-ordination and home affairs, Mr Muzaffar Hussain Shah, as the next chief minister. However, Ms Bhutto met party aides in Karachi, as government leaders were attending Mr Ali's funeral, to see whether her party could now form a government.

Farm debt write-off may wipe out bank profits in Israel

By Hugh Carnegy in Jerusalem

THE BANK of Israel warned yesterday that 1991 profits at the country's *leading* commercial banks would be wiped out by politically inspired legislation which took effect yesterday enforcing extensive write-offs of agricultural debts.

Central bank and finance ministry officials criticised a Knesset bill passed on Wednesday which provided for the automatic write-off of 20 per cent of the debts held by the 500 Moshavim collective farms, along with 21 Kibbutzim settlements and 31 private *farms,* including that of Mr Ariel Sharon, the housing minister.

Moshavim debts are estimated to total around Shk5bn (£1.2bn). *The banks were* already expecting to have to write off more than Shk500m, but treasury officials said this was now likely to rise to more than Shk1bn.

Mr Amnon Goldschmidt, the supervisor of banks at the Bank of Israel, said he had told the banks, owned but not managed by the government, to incorporate the write-off in their 1991 accounts, due to be published later this month. He said the effect would be to strip the banks of any significant net profit for 1991.

Although he added there was no threat to the overall stability of the banks, officials said the bill would damage investor confidence in the system at a time when the government is trying to sell off its shareholdings. Mr Goldschmidt instructed the banks to include a full explanation of the affair in their annual accounts especially for the benefit of foreign clients and potential investors.

The legislation, passed easily despite objections from Mr Yitzhak Moda'i, the finance minister, *was pushed through with a* clear eye on the farming vote in the June general election. It was proposed by a member of the Labour opposition which has strong ties to the collective agricultural sector.

It provides for the appointment of an arbitrator to assess the farms debts and freezes any property confiscation in lieu of debts.

ANC rejects plan for cabinet participation

THE African National Congress yesterday *rejected proposals from the South African* government that members of black opposition groups should join the existing cabinet to form a multi-racial interim government, writes Patti Waldmeir in Johannesburg.

Mr Cyril Ramaphosa, ANC secretary general, said agreement had been reached on the principle that a multi-racial interim executive should be appointed by the Convention for a Democratic South Africa (Codesa), the all-party body which is negotiating a post-apartheid constitution.

But this should not take the form of *additions to the existing cabinet. Rather,* a multi-party body should be appointed over the heads of the cabinet. This body would have veto powers over cabinet decisions and over parliament.

The government had said on Wednesday that Codesa had achieved a "major breakthrough" on the issue, and that blacks would join cabinet soon.

It seems clear that Pretoria and the ANC have agreed to a two-phased approach to interim government, whereby an interim executive would be appointed by Codesa as a first phase (probably by June), leading up to elections *for an interim* legislature, which would also draw up a new constitution, by year-end, but these have yet to be formalised in Codesa, which includes 17 other political groups.

Yesterday Mr Mohammed Valli Moosa, a leading ANC official, said major progress had also been made on agreeing principles of a post-apartheid constitution, with Codesa nearing agreement on key issues of devolution of power and protection of minorities - the most important demands of the National party government.

Allies weigh new moves against Iraq

By Mark Nicholson

BRITAIN and the US are exploring a range of new sanctions to take against Iraq, including seizure of frozen overseas assets, if Baghdad fails to comply with United Nations resolutions demanding elimination of its weapons and nuclear programmes.

Mr Douglas Hurd, British foreign secretary, repeated yesterday the Gulf war allies had not ruled out a military strike against Iraqi installations and said "strong pressure" was building against Iraqi President Saddam Hussein.

The allies are determined that Mr Tariq Aziz, the Iraqi deputy prime minister, should be left in no doubt during his *visit to the UN next week* that fresh measures will be taken against Iraq unless it is more forthcoming with details of its weapons and nuclear programmes and more *diligent* in destroying what UN inspectors in the country find.

Although the allies will continue hinting that this might include a military strike, officials stress that every other possible action would be examined before such a course is taken.

However, Mr David Kay, who has headed UN nuclear inspection teams to Iraq, said yesterday that a military strike was the sole option left against Iraq.

UK disagreement blocked freeze on Libyan assets

By Edward Mortimer and Peter Norman

DISAGREEMENT within the British administration blocked an attempt to freeze Libyan assets in UK jurisdiction last *November,* the *Financial Times* has learned.

Worries that freezing the assets could damage London's position as an international *financial centre prompted* British Treasury officials to mount stiff, and ultimately successful, opposition to Foreign Office support for such a move. As a result, official figures due for release next Tuesday are expected to show that the outflow of Libyan funds from London continued at least until the end of last year.

Soon after November 14, *when two Libyans* were indicted in the US and Scotland for the 1988 bombing of a Pan Am airliner, the Foreign Office became aware that *Libya was moving its funds* out of London, and asked the Treasury to take steps to freeze them.

But, in a series of tense interdepartmental meetings and telephone calls, held over a weekend, Treasury officials argued strongly against the freeze.

The Treasury's case was based in the first instance on *legal* grounds. The Emergency Laws (re-enactment and appeals) act 1964 stipulates that foreign assets in Britain can only be frozen by Treasury order if their outflow is to the economic detriment of the UK.

The Treasury said an asset freeze under this law would be open to challenge. In the end ministers were convinced the assets could not be seized without special legislation.

N-plant anger grows in Philippines

MR Ramon Mitra, Speaker of the Philippine House of Representatives and a leading contender to succeed President Corazon Aquino in May elections, said yesterday that he was opposed *to the operation* of a nuclear power station which was the subject of an out of court settlement in the US on Wednesday, writes Jose Galang in Manila.

Environmentalists have aggressively opposed the plant, partly because of its location *near an earthquake fault line* in Bataan province, 60 kilometres northwest of Manila.

"The information I have is that this plant can never be operated," Mr Mitra said.

He was speaking after the Manila government reached an out-of-court settlement with Westinghouse Electric of the US and Burns and Roe, a US consultant to Westinghouse, on a bribery lawsuit against the *US firms* in connection with the construction of the $2.1bn (£1.22bn) plant.

The Philippines had accused them of bribing the late Mr Ferdinand Marcos, when he was president, to win the contract in 1973. The settlement came a day before the case was *due to be heard in a federal* court in New Jersey.

The settlement is expected to lead to suspension of the lawsuit, but Mr Rene Saguisag, a member of the Senate committee advising the government on the case, said if the agree*ment was not formalised* in six months, or if the terms were not accepted by the Philippines congress, "the two parties would go back to a new trial".

In Manila, the government announced that Westinghouse would "pay the Philippines cash and cash equivalent in the amount of $100m and repair, refurbish and upgrade (the plant) to current nuclear safety standards." The payment will comprise $10m in cash and $90m in credits and discounts.

In exchange, Westinghouse will operate the plant for 30 years, selling electricity to the state-run National Power Corporation at a fixed price.

Kohl aide sees compromise on Gatt deal

By Quentin Peel in Bonn

OPPORTUNITIES for a compromise still exist within the deadlocked trade liberalisation negotiations of the General Agreement on Tariffs and Trade (Gatt), a close political adviser to Germany's Chancellor Helmut Kohl said yesterday.

Mr Volker Rühe, the secretary-general of Mr Kohl's Christian Democratic Union (CDU), said the deal must be based on agreement of the European Community to limit its agricultural exports. At the same time the US must agree not to move in on European markets with substitute products.

Speaking on his return from a high-level trip to Washington, during which he had talks with a range of senior US administration officials, Mr Rühe said that it was vital for Germany that an agreement should be reached in April. "If we don't, there is the danger of a strong resurgence of protectionism in the US," he said. "That would hurt us all."

The significance of his trip is that it comes just two weeks before Mr Kohl is himself due in Washington for talks with President George Bush, just one month before the April 19 deadline set for the Gatt negotiations.

GATT

Mr Rühe suggested that Germany's position, as the largest trading nation in the EC, and a net agricultural importer, was actually closest to that of the US, followed closely by the UK. He admitted that France, as a major agricultural exporter, faced a very difficult challenge in the Gatt round.

"France is obviously in a very difficult situation," he said. "Many people would like to push France into the limelight. That does not help. We must come to a common position. It would not help us in Germany to go it alone."

His insistence that the US must agree not to boost its own agricultural exports to fill the gap left by EC voluntary reductions is clearly intended as an effort to lower the French resistance.

See Editorial Comment

Argentina wins praise from Gatt

ARGENTINA'S rapid and far-reaching economic reform programme won praise yesterday from trading partners and from Gatt, reports Frances Williams from Geneva.

A report by Gatt economists on Argentina's trade policies says the reforms have transformed the country in a few years "from one of the most cosseted economies in the world to one of the more open", with gratifying results in low inflation, economic growth, return of flight capital and rising exports.

At yesterday's debate on the report by Gatt's governing council, Argentina was described as "a model" for rich and poor countries alike.

The Gatt report, says Argentina has virtually eliminated quantitative import restrictions, which in 1986 covered half domestic production.

Average tariffs have dropped from 40 per cent to 12 per cent over the same period, export taxes have fallen substantially and the government's policies of deregulation and privatisation have increased competition and opened up major opportunities for foreign direct investment.

High protection in the car and electronics sectors remains a concern but car import restraints are due to begin being phased out in1994.

Motorola in collaborative deal with Japan

By Michiyo Nakamoto in London

MOTOROLA of the US and Alps Electric of Japan have reached an agreement seen as a possible forerunner to other collaborative deals between Japanese and western companies.

The arrangement means that products based on the two companies' joint semiconductor research in Europe can be brought to world markets this year.

Alps, an electronic components manufacturer, is the world's largest independent maker of tuner modules used in television sets and video cassette recorders (VCRs).

The US semiconductor and communications group will supply Alps with an integrated circuit (IC) that the two companies designed and developed at their research facilities in Switzerland and the UK.

The IC, which significantly reduces the size of the tuner module, is already being manufactured at Motorola's semiconductor plant in Toulouse, France.

It will be used in Alps's next generation tuner modules to be manufactured at the Japanese group's plant in the UK and Japan and supplied to television and VCR manufacturers worldwide.

For Motorola, the deal, worth in excess of £25m over the next five years, represents a significant step forward in winning over the Japanese.

The US group has often been critical in the past of the closed nature of the Japanese market. But Japanese consumption of semiconductors is growing, in Europe and worldwide.

"Semiconductor manufacturers have to learn to support Japanese customers because, if you don't, you miss out on a huge market," says Mr Barry Waite, senior vice-president and general manager of Motorola's European semiconductor group.

Motorola already supplies Japanese electronics manufacturers, such as Sony, in Japan.

For Alps, the agreement with Motorola brings it close to achieving a self-imposed target to buy 20 per cent of its domestic semiconductor requirements from overseas manufacturers, says Mr Kyoshi Watano, managing director of Alps UK.

Japan's Ministry of International Trade and Industry (Miti), under pressure from the US, has asked leading corporations to buy 20 per cent of their semiconductor consumption from foreign manufacturers.

With the increasing internationalisation of industry, "what you are seeing from Alps is not untypical of what you will be seeing from other [Japanese] companies," Mr Waite says.

In Europe, Japanese manufacturers have often been criticised for setting up "screwdriver" plants and not bringing their research and development activities to the EC.

The deal between Motorola and Alps is an example of how Japanese companies might increasingly use European skill in technology.

Although the average technological level is high in Japan, outstanding capabilities are in short supply, says an Alps design official. "Europe is a good source of technological brainpower and there is a possibility that better ICs can be made here," he says.

Fujitsu to attack US supercomputer market

By Louise Kehoe in San Francisco

FUJITSU, Japan's largest computer manufacturer, announced yesterday it plans to sell its highest performance supercomputers in the US, a move the company expects to create a political backlash.

"We have seen some Japan bashing, and we will possibly now see some Fujitsu bashing," said Mr Thomas Miller, vice-president of sales and marketing for Fujitsu America's supercomputer group.

Fujitsu's entry into the US supercomputer market and efforts to expand sales in Europe, pose a challenge to Cray Research, the leading US supercomputer manufacturer and world market leader.

Initially, Fujitsu will try to limit political criticism by focusing its marketing efforts on the US private sector. Japanese suppliers have been effectively excluded from the public sector under pressure from Congress and the Bush administration.

Last November, Fujitsu was forced to withdraw an offer to donate a supercomputer to a Colorado-based international environmental research project.

If Fujitsu is successful in the private sector it seems unlikely to ignore the US public sector for long. Publicly funded sales represent about two-thirds of the total US supercomputer market.

The US is under increasing pressure to open its public supercomputer market to Japanese companies following an undertaking by the Japanese government to allow US companies to bid for public computer purchases in Japan.

Fujitsu is also pre-empting charges that it will offer steep discounts in the US as a way to garner sales. "Our US prices will range from $2m to $17m, and are based upon world-wide pricing at fair market values," Mr Miller said.

The ten Fujitsu models to be offered in the US range in performance from 0.5 to 5.0 gigaflops (billions of floating point operations per second). They are conventional "vector" processors.

Cray Research, International Business Machines and a handful of smaller US computer makers are developing higher speed computers based upon "massively parallel processing" technology, in which hundreds of standard microprocessor chips are linked together.

Hopes fade of deal on tariff reductions

By Frances Williams in Geneva

THE continuing impasse over cuts in farm trade subsidies in the Uruguay Round of trade liberalisation talks has delayed detailed market access negotiations which will form a vital ingredient of the final package.

By yesterday, four days after the March 1 deadline, only a dozen or so participants (including the EC) had submitted detailed draft tariff schedules, and those of the major traders contain important omissions. The draft schedules are meant to provide the basis for final adjustments of tariff cuts for each country, with an overall target reduction of one-third, by the end of this month.

Many officials in Geneva now say privately that meeting the Easter deadline for completion of the Uruguay Round in its entirety looks increasingly improbable, if not impossible.

The US and the EC, by mutual agreement, have not included industrial tariffs in their schedules because they are still in the midst of intensive and sensitive bilateral negotiations, especially on textiles and sectors to be covered by "zero-for-zero" deals. Some other countries have decided to wait for the outcome of those negotiations before tabling their own industrial tariff schedules.

But the main problems still concern agriculture. The EC has provided information on current agricultural protection, including tariff equivalents for items now subject to import quotas and variable levies. But it has not proposed reductions in agricultural trade barriers because the EC is challenging the draft agricultural accord presented last December by Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt).

Japan, Canada and South Korea, among others, have refused to provide tariff equivalents for farm imports now protected by quantitative restraints, as required by the Dunkel draft.

Insurance 'key to boost investment'

By Stephen Fidler, Latin America Editor

INVESTMENT insurance could provide an important bridge between the needs of many developing countries to improve their infrastructure and the reduced willingness of banks and rich-country governments to provide credit.

This is a key conclusion of a report published today by the Helsinki-based World Institute for Development Economics Research of the UN University*.

The study, whose authors include Sir Kenneth Berrill, former chairman of Britain's Security and Investment Board and Mr Frank Vibert, deputy director of the Institute of Economic Affairs, draws attention to the growing desire of developing country governments and those in eastern Europe to use private sector capital to develop infrastructure.

A lack of credit from banks has badly damaged investment in indebted developing countries. "The recent traditional financial flows to developing countries have been hit for six, and it's important other types of flows are stimulated." Sir Kenneth said.

Private insurance is currently obtainable against risk that investments may be confiscated, expropriated or nationalised, against "creeping expropriation" – discriminatory measures by a government that make it impossible in pratice to carry on a business, as well as against many other risks. However, most private insurance is available only for a maximum 3 years.

Official bilateral insurance, provided by some 20 rich country governments – offers long-term cover up to 15 years and provides cover against the three traditional classes of political risk: war, expropriation and government curbs on remittance transfers.

While officially insured export credits to the developing world totals $240bn, the amount of officially insured investments is about $18bn.

While in theory private and official insurance supplement one another, in practice there is "no neat dovetailing", the report says.

It therefore suggests a pooling of private sector and government sources of investment insurance. Furthermore: "The regional development banks, particularly in east Europe, Latin America and Africa, might wish to set aside a part of their capital to provide new capacity in the market probably through offering a supplementary insurance facility."

One drawback of using the Multilateral Investment Guarantee Agency – a relatively new investment guarantee organisation linked to the World Bank – is its current inability to provide guarantees for existing investments, the privatisation of which represents an important part of some countries' development plans.

Private Investment in Infrastructure: The Mobilisation of Equity Capital. Published by WIDER, Annankatu 42 C, 00100 Helsinki 10, Finland.

Clash with Bush likely on demands to double the 'peace dividend'

House Democrats set for budget battle

By George Graham in Washington

THE Democrat-dominated House of Representatives prepared yesterday to vote on a $1.5bn (£850m) budget resolution that would double the size of the "peace dividend" by cutting defence spending more than President George Bush wants, and lay the ground for a political battle over the US budget.

Mr Tom Foley, the Democratic House Speaker, predicted that the House would approve a budget plan that would shift money saved on reduced defence spending into domestic programmes such as road-building and healthcare. "Our budget is realistic," Mr Foley said.

But the debate will measure the strength of support for preserving the 1990 budget agreement, in which Mr Bush and Congress agreed on higher taxes, coupled with tight spending caps. The budget agreement also set up "fire-walls" to ensure that savings on defence could not be transferred to domestic spending, but must be used to reduce the budget deficit.

A measure sponsored by Congressman John Conyers of Michigan, due to be voted on next week, would overturn the rules imposed by the budget agreement.

Minority Republicans in Congress expect that they will be joined by conservative Democrats, led by Congressman Charles Stenholm of Texas, in voting against any measure that does not use defence savings to cut the deficit, which is expected to reach $400bn this year.

While President Bush said this week that he made a mistake in agreeing to the 1990 budget compromise with Congress, he has nothing to gain by overturning it now. The tax increases are already in place, and abandoning the agreement would take away the spending curbs which he insisted on.

US keeps Hanoi trade embargo

By George Graham

THE US yesterday agreed to provide humanitarian aid to Vietnam in exchange for help in finding the remains of American soldiers missing in action (MIA) during the Vietnam War, but refused to lift its trade embargo.

Mr Richard Solomon, assistant secretary of state, agreed to provide a minimum of $3m of government humanitarian aid, on top of around $6m of non-governmental help now provided by US charities.

But Mr Le Mai, Vietnam's deputy foreign minister, said he was disappointed that the US had not lifted its trade embargo.

"I must be very frank in saying that the response from the US government remains very modest," he said.

Mr Solomon, however, said that the US was still in the first phase of a four-phase "road-map" towards normalising relations with Vietnam.

This first phase includes only the discussion of normalisation, and will focus on resolving US preoccupations about prisoners of war and servicemen listed as missing in action in Vietnam.

The US envisages a partial lifting of the embargo in phase two, which is linked to the establishment of the UN peace-keeping force in neighbouring Cambodia. A complete end to the embargo would not come until phase three, at least six months after the UN has arrived and after the last Vietnamese soldier has left Cambodia. Vietnam publicly withdrew most of its troops from Cambodia in 1989, although it left behind hundreds of soldiers, including advisers.

US policy remains fixated by the fate of the MIAs. Polls show that more than 80 per cent of US veterans of the Vietnam War believe some of their comrades are still held prisoner. The war is still a raw issue for many Americans, and it is thought extremely unlikely that President George Bush would take the possibly controversial step of normalising relations with Vietnam before November's election.

Court considers plan to reorganise Drexel

By Nikki Tait in New York

HEARINGS which could approve a reorganisation plan for Drexel Burnham Lambert, the US investment bank which has been in bankruptcy since early 1990, began in a US court yesterday.

Lawyers for Drexel, which is no longer functioning as an investment adviser, said all but one class of creditor had overwhelmingly voted in favour of the plan. They also said some objections from the Inland Revenue Service and the New York State and New York City tax and finance departments had been resolved.

Lawyers representing Mr Michael Milken – the former head of Drexel's junk bond department who is serving a prison sentence after pleading guilty to securities law violations – were present.

Mr Milken claims to be a creditor of Drexel and his lawyers – although not objecting to a document going into evidence – said they reserved the right to cross-examine on it.

Although Drexel has formulated a "reorganisation" plan, this would essentially settle creditors' claims and fold up the bank – leaving only a small organisation to handle the bank's least liquid assets.

Noriega: the fate of Panama's former strongman rests in the hands of a jury in Miami

Echoes of Just Cause as Noriega's star rises

The 1989 invasion of Panama may become an issue in this year's US presidential election, writes **Henry Hamman**

AS the drug trafficking conspiracy trial of General Manuel Antonio Noriega, the former Panamanian leader, creaks to a conclusion – yesterday marked its 69th day – speculation is growing that he might be acquitted on at least some of the main counts.

Simultaneously, the possibility grows that the 1989 US invasion of Panama might become an issue in this year's US presidential campaign.

President George Bush's Desert Storm victory last year no longer resonates with voters. A rejection by the jurors in the Miami trial of all or most of the charges against Gen Noriega would mean that the rationale of an earlier foreign policy action – Operation Just Cause, which sought the general's capture – would be open to question.

Although it is open to debate how the jury will react to what they have heard, the general's prosecutors do not appear to have had a good week. For this, they can blame a dead man, a self-styled political refugee and a fiery Panamanian woman legislator.

The dead man – Mr William Casey, the Reagan-era director of Central Intelligence – cropped up when a former CIA Panama station chief testified that Mr Casey had met Gen Noriega in Panama days after Gen Noriega held a Havana tête-à-tête with President Fidel Castro in 1984.

Gen Noriega told Mr Casey what Mr Castro had to say about Central America and exchanged gifts with the intelligence chief – Mr Casey's book for the general, some of the general's private stock of Cuban cigars for Mr Casey. This evidence appears to have bolstered the defence claim that Gen Noriega was an important US ally.

The self-styled political refugee – Mr Rodolfo Castrellon, Panama Air Force officer and former ambassador to Israel during the Noriega regime – denied a key element in the government's case that the general was involved in a conspiracy with the Medellín drugs cartel.

Mr Castrellon contradicted a claim by a government witness that a group of Colombian cocaine chemists captured by the Panamanians had been returned to Colombia on a champagne flight via executive jet – demonstrating Gen Noriega's cosy relationship with Colombian drug interests.

Mr Castrellon, who has sought political asylum in the US claiming fear of persecution in Panama, was the air force officer who arranged the return flight. He identified photographs which showed that the aircraft used was an old cargo aircraft and the passengers wore chains.

The Panamanian legislator – Mrs Balbina Herrera – had been identified by one of the government's earliest witnesses – former drug dealer Mr Max Marmelstein – as a 1983 contact with whom he arranged landing rights for drug-carrying aircraft in Panama.

But Mrs Herrera furiously branded that testimony a lie and said that in 1983 she was working as a junior-grade economist in an institute of the Department of Education which provided scholarships to Panamanian secondary and university students.

In addition to these challenges, the government was also confronted with Mr Luis Ellis, who had been named by the government as having offered drug traffickers the use of a fishing port of which he was the administrator for the shipment of ether (used in the manufacture of cocaine) on the instruction of Gen Noriega.

Not true, insisted Mr Ellis. However, the impact of his denial was lessened after he acknowledged that his wife had worked as one of Gen Noriega's secretaries.

None of this testimony would, of itself, damage a strong prosecution case. The government's problem is that there are doubts about how well the overall case against the general is holding up.

Panamanian journalists covering the trial report widespread belief in Panama, where the trial receives more attention than in the US, that Gen Noriega may be acquitted.

Last week, Panamanian vice-president Guillermo Ford told a Miami audience his government had decided that, were the general to be freed, Panama would seek his extradition. Mr Ford acknowledged, however, that no criminal charges had been laid against Gen Noriega in Panama.

The jurors will be instructed by the judge that they should vote to convict only if they find the general's guilt proved beyond reasonable doubt.

But some attorneys think the jurors will decide their verdict based more on their attitude toward the government as an institution than on the complex evidence they have heard since the start of the trial last September.

If that view is correct, another week like this one could mean problems for the government side.

Venezuela appoints minister for energy

By Joseph Mann in Caracas

MR Alirio Parra, one of Venezuela's most experienced oil experts, has been appointed minister of energy and mines, a central post in the cabinet. He replaces Mr Celestino Armas, who was moved to the ministry of the presidential secretariat in a cabinet shake-up last week, following the February 4 coup attempt.

After being sworn in Mr Parra said he would work to attract more foreign investment into Venezuela's oil industry and to strengthen crude oil prices internationally. Until his appointment to the energy ministry Mr Parra had worked as director of the Centre for Global Energy Studies in London, an organisation founded by Sheikh Ahmed Zaki Yamani, Saudi Arabia's former petroleum minister.

Mr Parra held a variety of posts in the ministry of energy and worked for many years as a board member at the national oil company, PDVSA. He formed part of the first board in 1975 and retired from the company as head of its London office in 1990. He is well-versed in Organisation of Petroleum Exporting Countries' matters. For many years he served as a Venezuelan negotiator at Opec conferences and was a key adviser to previous Venezuelan energy ministers.

● President Carlos Andres Pérez yesterday renewed his promise of political reforms and announced further measures to help those hardest hit by economic austerity, Reuter reports from Caracas.

Mr Pérez told the nation a special assembly would redraft the constitution and put it to the people in a referendum by May in a bid to defuse the most profound political crisis in the country's recent democratic history.

There have been increasing attacks on Mr Pérez's economic reform policies and calls for his resignation following the coup attempt.

The President suspended monthly petrol price increases in place for a year and promised a ceiling on prices for staple foods and medicines.

Recession could force BT to cut workforce by 25,000

By Hugo Dixon

BT, the telecommunications group, plans to cut its workforce by up to 25,000 in the 12 months from April in response to growing competition and the recession.

It will be one of the largest programmes of job losses ever by a British company in a single year and will add to the general economic gloom.

The company wants all job losses to be through voluntary redundancy or natural wastage. The current workforce of 218,000 experiences natural wastage of 5,000-10,000 a year.

BT plans to write to all staff in the next few days giving them the background to its decision to step-up its programme of job cuts.

One executive, however, said job losses would be higher than the 15,000 expected in the current financial year to the end of March and the 19,000 in the previous year. He said 25,000 was at the "upper end of the range".

Redundant staff will include managers, as well as engineers, operators and other staff.

Mr Tony Young, general-secretary of the National Communications Union, which represents most BT's employees, said he was appalled at the job losses. "Clearly, the effects of the recession and the regulatory framework imposed by the government are having a devastating effect on what should be one of the UK's growth industries."

Young: 'appalled' at cuts

Mr Young said the union would co-operate only if job losses remained purely voluntary. It is negotiating voluntary redundancies with BT.

BT has had a long-term programme of reducing staff numbers in a drive to cut costs and improve efficiency. Top management is concerned that BT employs more staff in proportion to the size of its business than most competitors in North America and the EC.

The acceleration in job losses at BT is the result of growing competition from Mercury Communications, the recession and tighter regulation of prices by Oftel, the regulatory body.

The same factors were behind a 3.6 per cent fall in BT's pre-tax profits to £759m for the quarter to the end of December.

● Several million BT customers with old-style phone sockets are to get a discount of £4.20 a year on their rental charges, the telephone giant announced today. "We thought it was fair to give a discount to customers who are unable to plug in other equipment such as modern answering machines and fax machines," said a spokesman.

Speculation mounts over timing of general election

By Ivo Dawnay, Political Correspondent

A FRESH bout of feverish speculation as to when an April 9 election will be announced overshadowed *government attempts* yesterday to take the offensive on its controversial reforms of the National Health Service.

Mr John Major clashed with Mr Neil Kinnock, the opposition Labour leader, in heated exchanges over health reform at prime minister's question time *in the House of Commons*. MPs, meanwhile, argued over press reports that Mr Major will call an election on Wednesday – only 24 hours after next Tuesday's Budget.

The mounting excitement at Westminster was fuelled by a new poll showing the two main parties exactly level on 38.5 points with the centrist Liberal Democrats at 18.5 points.

A Gallup "snapshot" poll for the *Daily Telegraph* was accompanied by a Gallup 9000 poll of 10,405 voters, showing the Tories on 38.9 or a statistically insignificant 1.3 points ahead of Labour in soundings taken over the past month.

Whatever the true position of the parties, the poll findings make clear *that there has been no substantial* surge by Labour that might persuade the government to reconsider the April 9 date.

With analysts predicting the narrowest election race for decades, the day's events were dominated by bar room tacticians attempting to calculate the strategic advantages to the Tories of making the election announcement 24 hours earlier than most had expected.

One theory had it that an early election call, backed up by a prime ministerial address to the nation on television, would switch attention away from the detail of the Budget statement and Labour's counter attack on its intentions.

It would also distract from Mr *John Smith's right as shadow* chancellor to a 10 minute television "reply" to the budget, also scheduled for Wednesday.

Tory campaign officials insisted that no final decision had yet been taken on timing and that the issue had not even been raised during a 30 minute political discussion after yesterday's Cabinet meeting.

Downing Street said the prime minister had scheduled a normal weekend *in his Huntingdon constituency* with no meetings planned with cabinet colleagues.

But there was clear evidence of a government clearing its desks for an election as ministers announced nearly £400m of spending on projects ranging from roads for Scotland to *grant aid for technical schools.*

The "business at usual" message cut little ice in the Commons chamber where Mr John MacGregor, the Leader of the House, came under fierce opposition fire for announcing a normal statement for next week's business.

Mr Roy Hattersley, Labour's deputy leader, attacked the statement as "wholly fictitious". Citing rumours that the broadcasting authorities *had already* been alerted to a Wednesday announcement, he said: "The government is ending its term of office in exactly the same shabby way it has conducted itself during the last 13 years."

Mr MacGregor replied: "You began with a fictitious comment. The *government has done no such thing."*

In fact, as soon as the election is called, Mr MacGregor will be forced to cut short the traditional four day Budget debate, introduce a truncated Finance Bill, and ensure remaining business is either rescheduled or abandoned.

To meet an April 9 timetable, the Commons must be prorogued by the night of Monday March 17.

Earlier yesterday, the Conservatives and Labour held news conferences with conflicting claims over the impact of the government's NHS reforms. The issue was taken up in the Commons, where Mr Kinnock promised a Labour government would end the tax concession for private health insurance and use the £60m saving "to fight cancer."

The prime minister retorted that the Labour party's promises would have more credibility if it was not committed to introduce a minimum wage which would cost the NHS £500m.

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US-Belgian consortium buys power stations

Gas pipeline to link Scotland with N Ireland

By Our Belfast Correspondent and Juliet Sychrava

BRITISH Gas is to buy Ballylumford, Northern Ireland's largest power station, and build a pipeline from Scotland to bring natural gas to the province for the first time.

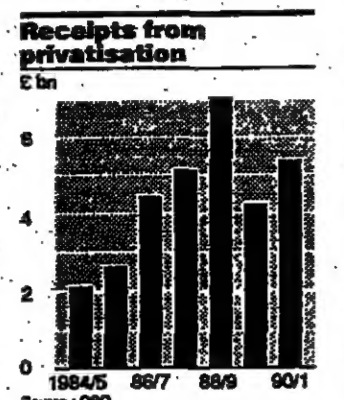
The privatisation of Northern Ireland Electricity (NIE), details of which were unveiled by the government yesterday in parliament, will raise £353m for the company's four power stations.

The sale of the power stations, effective from March 31, *will form the first stage of the* privatisation of NIE. The company's supply and distribution business will sold to the public in November.

British Gas will pay £132.4m for Ballylumford, in County Antrim, which generates half Northern Ireland's electricity. Although the 1,000MW station currently runs on oil, British Gas has undertaken to convert it to gas, which will be imported through a new pipeline from Scotland.

Two other power stations will go to a consortium of the US power company Applied Energy Services, and Tractebel, the Belgian power conglomerate. The consortium will pay £214m for Kilroot, a 520MW station in County Antrim, and the 240MW Belfast West coal-fired station.

Receipts from privatisation



Source: CSO

NIE's fourth station, the 420MW oil-fired Coolkeeragh plant in Londonderry will be bought by a management-employee team from NIE for £6.5m.

British Gas said the move would help expand its power generation business, along with plans for other power stations in Bristol, London, and overseas.

Mr Richard Needham, Northern Ireland minister, said the privatisation, which has faced strong local opposition from politicians, trade unions and other groups, would be a great confidence boost to the Northern Ireland economy.

Employers condemn EC energy tax

By John Hunt

EUROPEAN Commission plans for an energy tax could seriously damage industrial competitiveness in Britain and other EC countries, the Confederation of British Industry (CBI) warned yesterday.

The employers' organisation said companies exporting from the Community would be handicapped in their competition with US and Japanese rivals if such a tax was adopted unilaterally. The tax would also encourage companies to relocate outside the EC in order to avoid payment.

In evidence to the House of Lords European Community Committee yesterday, the CBI said it would be impossible to introduce the first stage of the tax next year as envisaged by the Commission.

The EC proposal is intended to cut emissions of carbon dioxide, the main greenhouse gas. The tax would be equivalent to $10 on a barrel of oil by the year 2000.

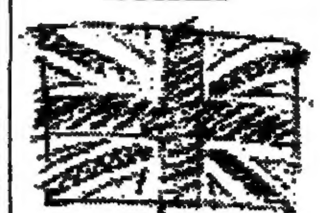
Mr Ripa di Meana, the EC environment commissioner, believes it is essential to adopt the proposal soon in order to persuade major non-EC industrial countries such as the US and Japan to follow suit.

But the CBI, which represents 250,000 companies in the UK, said much more work needed to be done on the proposals and the tax could not be introduced before 1994.

The CBI believed the most fruitful course was a determined attempt to improve energy efficiency.

Ian Botham, pictured, took four wickets in seven balls to set up a memorable victory for England over Australia in the Cricket World Cup in Sydney. The all-rounder, now aged 36, then scored 53 runs as England sailed past the required total of 171 with nine overs to spare and eight wickets left. England are now championship favourites.

BRITAIN IN BRIEF



BA plans new business for home network

British Airways is setting up a business to run its domestic regional services called British Airways Regional following an agreement with the airline's trade unions to reduce direct annual staff costs on its regional *network* by £8.25m from the beginning of next month.

The cost cutting package agreed with the unions will improve profitability and safeguard about 1,000 jobs in the airline's domestic regional services based at Birmingham, Manchester and in Scotland, according to BA.

The agreement comes after several months of negotiations between the airline and its main unions.

Minister makes equality gaffe

The launch of a government booklet on sexual harassment backfired as Mr Robert Jackson, employment minister, *incurred the wrath of the* Equal Opportunities Commission (EOC) by claiming that wolf whistles and pin-up calendars were "acceptable in certain circumstances".

At the launch of the sexual harassment booklet, Mr Jackson said it was impossible to provide a checklist of actions that would constitute harassment because that could "lead down the road of political correctness". Wolf whistles and pin-ups might be acceptable in a "totally all-male environment where no woman will stray", he said.

Following Mr Jackson's comments, the EOC said a resolution from the European Community, to which Britain had been a signatory, specifically mentioned pin-ups and wolf whistles as things that were *likely to be offensive* to women.

Economy hope undermined

A flicker of hope for economic recovery in the UK has been extinguished by publication of the latest longer leading indicator, which records turning points in economic activity about 10 months in advance. It fell 0.6 per cent in January.

The Central Statistical Office said the decline in optimism recorded by the Confederation of British Industry in recent months led to last month's drop of the longer leading index to 102.6 from 103.2 in December. The index turned up in May 1990 and rose until October 1991.

Workers could face call-up

Defence industry employees could have call-up clauses written into their job contracts if proposals published by the Ministry of Defence (MoD) are brought into effect.

The plan would also affect civilians working for the MoD. The aim of the scheme, part of a set of proposals in a consultative document on the future of Britain's reserve forces, is to enable the government to call automatically on certain categories of reservists to take up non-combat duties in support of the armed forces.

Scots consider baccalaureate

The Scottish education system will face its biggest shake-up for decades if the Scottish *Office implements the* recommendations of a report which recommends scrapping the so-called 'Higher' exam for school leavers. The report, by a committee chaired by Professor John Howie of St Andrew's university, says the Higher should be replaced by a new system including a "baccalaureate," which would provide *greater depth than the Higher.*

Pension funds earn 16.9%

British occupational pension funds achieved an average rate of return (income plus capital appreciation) of 16.9 per cent last year, according to the WM Company, the bigger of the two major performance measurers.

Excluding property, which had a bad year, the funds returned 18.8 per cent. All the other major categories of investments, UK equities, overseas equities, UK bonds and overseas bonds, returned up to 21 per cent.

Securities dealer jailed

An authorised securities dealer, Mr Andrew Kimmins, who misused clients' funds to prop up his business has been jailed for two-and-a-half years and disqualified from acting as a company director for five years.

The final losses to clients had been £3.5m, *while a further* £500,000 had been lost by Mr Kimmins' family and associates, said the judge. Mr Kimmins had pleaded guilty to two charges of fraudulent trading.

They alleged that between November 1986 and December 1988 he was knowingly party to the carrying on of the businesses of Blade Securities and Blade Investments, both of Brompton Road, London, with *intent to defraud creditors.*

Twenty-three other charges were left on the court file.

Chinese plan leisure centre

The Chinese government, in co-operation with private Saudi Arabian interests, is planning to invest in a leisure development just outside Coventry.

Coventry City Council said it would take part in the redevelopment of Coombe Abbey Countryside Park, providing nearly £6m of the costs of a £19m scheme.

This is the first Chinese involvement in a UK leisure venture and a rare expression of interest in the British property industry.

Tories lose Scots support

Support for the Conservative party in Scotland has fallen according to a new opinion poll which also showed strong backing for the Scottish National Party but a decline in support for Scotland becoming independent.

The poll, by Market Research Scotland for Grampian Television and the Aberdeen Press & Journal, put support for the Conservative party at 18 per cent, compared with 21 per cent in a poll earlier in the month.

European bids for metro

Six European consortia and one company have tendered for the contract to design, build and operate the first stage of Midland Metro, a tram system linking central Birmingham and Wolverhampton.

The West Midlands Passenger Transport Executive announced that the competitors are AMEC and six consortia. The consortia are Trafalgar House, ABB Transportation Management & Systems, Breda Costruzioni Ferriane and Sofretu; Balfour Beatty and Siemens; Taylor Woodrow and Ansaldo; John Mowlem and GEC Alsthom Transportation Projects; AEG Westinghouse Transport Systems, Norwest Holst and Tilbury Douglas Construction; Tarmac, Hawker Siddeley Rail Projects and Bank of America.

Trucks speed

Trucks are by far the worst *offenders when it comes to* breaking speed limits on roads other than motorways, according to the Department of Transport.

Price freeze sought over match monopoly

By Robert Rice, Legal Correspondent

BRYANT & May, the UK match manufacturer, faces a two-year price freeze on its branded matches after the Monopolies and Mergers Commission (MMC) found it had a monopoly in the UK market for matches and disposable lighters.

Mr Peter Lilley, Trade and Industry Secretary, said yesterday the MMC had found that Bryant & May had been able to achieve high prices for matches as a result of its very high market share. His comments followed publication of the watchdog's second report in four years into the industry.

Mr Lilley said he had asked the director general of fair trading to seek a price undertaking from Bryant & May.

Bryant & May is part of Wilkinson Sword, the consumer products company sold in 1987 for £99.2m to Swedish Match, the Stockholm-based conglomerate, by Allegheny International of the US.

In 1990 Bryant & May accounted for 78 per cent of the UK match market said to be worth about £100m a year.

Mr David Wheeler, managing director, said the company would co-operate with the Office of Fair Trading although it felt the inquiry had been "a waste of taxpayer's money" and would have "very little impact on the public interest."

Mr Wheeler added that Bryant & May believed its profitability was due to its quality and efficiency.

Since 1987 Bryant & May's profits have soared, although it has only raised its prices in *line with inflation, and the foreign* competition has largely fizzled out.

Labour MPs accuse Major of ignoring BCCI warnings

By Ralph Atkins

MR JOHN MAJOR is accused of ignoring warning signs about fraud at the collapsed Bank of Credit and Commerce International (BCCI) in a series of Labour additions to a House of Commons' report to be published next week.

Labour MPs on the Treasury select committee are expected to split publicly with Conservative members when the main report is published on Wednesday. The amendments, which amount almost to a "minority report" were tabled by Mr Brian Sedgemore, the Labour MP.

Mr Major, who was chancellor of the exchequer when the evidence of fraudulent accounting at BCCI first emerged, *should not escape some responsibility* for the affair, according to Labour committee members.

The main report is highly critical of the Bank of England for delaying action against BCCI. But Mr Sedgemore's amendments go on to implicate Mr Major, in the belief that the Bank of England should not be used as simply a "fall-guy" for Treasury ministers. The Bank is responsible for banking regulation but the Treasury broadly oversees its actions.

Mr Sedgemore has compiled a diary of 33 warning signs between 1985 and BCCI's closure in July last year which he says were available to the Bank of England. Of these, 19 occured during the period when Mr Major was chancellor, he says.

The colourful language of *the amendments* clashes with the moderate style of Mr Terence Higgins, Tory chairman of the committee, in the main report. However, the Labour MPs on the committee believe many of Mr Sedgemore's points are valid.

The Bank of England received a report on BCCI from accountants Price Waterhouse in April 1990, which said some accounting transactions at the bank were false. The report was followed by a shake-up at BCCI and a restructuring of its balance sheet.

According to evidence given by Mr Robin Leigh-Pemberton, governor of the Bank of England, Mr Major was told about the restructuring but not the contents of the 1990 report.

Not until a later Price Waterhouse report to the Bank in *June 1991 was there sufficient* evidence of fraud at BCCI to justify its closure.

Glimpse of peace turns spotlight towards Sinn Fein

Tim Coone and Ralph Atkins assess the possible role of the IRA's political wing in an Ulster settlement

SENIOR British and Irish ministers meet in Dublin today amid hopes of a new panorama opening on Northern Ireland.

The four main political parties in Ulster are due to hold a symbolic first meeting of "round-table" talks on the province's future on Monday – after a seven-month lapse. Church leaders have met paramilitary chiefs in an apparent effort *to broker a ceasefire.*

They are small changes, but sufficient to renew attention on the role of Sinn Fein, the political wing of the illegal Irish Republican Army (IRA), which has not been invited to the talks.

The IRA *is threatening* to disrupt the British general election with a bombing campaign in mainland Britain. Ironically, its efforts coincide with a diplomatic offensive by Sinn Fein to win a place at the negotiating table.

At their recent annual congress in Dublin the "Shinners" launched their first major strategy document in years, Towards a Lasting Peace, which they describe as an olive branch to the Ulster Unionists and the British and Irish *governments.*

Both governments, all the main political parties in both countries and the Catholic and Protestant churches have condemned Sinn Fein for their association with the IRA, and their official stance on armed struggle which Mr Gerry Adams, the party president and MP for West Belfast, spelt out again at the congress.

Sinn Fein president Gerry Adams puts his case for removing the Ulster border, which now involves 'a lasting peace'

"Irish people have the right to use armed struggle in the context of seeking Irish independence and in conditions of British occupation of the Six Counties. Whether Irish people wish to exercise that right is a matter for them," Mr Adams said. Sinn Fein has been told it will not be accepted at the negotiating table until it changes this equivocal stance. Peace overtures from Mr Adams are viewed with profound scepticism *if not anger.* A Labour government in the UK would be equally antagonistic.

Sinn Fein maintains it has no formal links to the IRA, although the overlap is undeniable. It has social welfare programmes for IRA prisoners and many members have been interned or convicted for paramilitary activities.

The extent to which the party's political leaders influence the military commanders of the IRA is open to question. Mr Adams says Sinn Fein and the IRA act independently.

He and others in the party sometimes appear uneasy about civilian casualties. In an overt criticism of IRA tactics he told the congress: "I repeat my firm conviction that attacks on Protestants are wrong for exactly the same reason that attacks on Catholics are wrong." It was the loudest applause he received throughout his speech.

The "olive branch" Sinn Fein is offering is for the British and Irish governments to make "the ending of partition their policy [goal]" and that this be carried out "in consultation and co-operation with" the Ulster Unionists.

Mr Adams did not rule out the possibility of a halt to the IRA's military campaign as a means of bringing Sinn Fein into the talks. "At some point before, during or after this process, demilitarisation has to play a role," he said.

He believes the British government's strategy is not to involve Sinn Fein in talks "as it wants to defeat the Republicans". But he said the British government had talked to Republicans in the past.

British ministers regard even hinting at talks with Sinn Fein as dangerous – it would inflame Ulster's fiercely defensive Unionist community, ending for some time any chance of progress in the "round table" talks, and it would undermine the logic of the sophisticated and expensive military operation against the IRA.

The British government argues that when new, workable forms of government for the province are found, Sinn Fein's most powerful argument – *that Northern Ireland can* never work in its current format – will have been lost. So far ministers have not succeeded in that aim.

Warsaw: Paris prices, Albanian standards

By Andrew Taylor

International companies seeking office space in Warsaw beware. The Polish capital's commercial property market has been characterised as one with Paris prices, Albanian standards and Tokyo's lack of space.

Indeed, in a league table of European centres with the highest offices rents, both Warsaw and Czechoslovakia's capital Prague surprisingly figure in the top five.

Prime rents in both cities are running at between £35 to £40 a sq ft – easily a match for Paris or a very depressed City of London property market.

The reason for these unexpectedly high rents is that there are too few buildings being chased by too many tenants. Western companies wanting to open representative offices in Warsaw, to take advantage of the liberalisation of the Polish economy, have struggled to find appropriate accommodation.

There are currently only two office schemes under construction in Warsaw's city centre. One is an 800,000 sq ft office complex being developed by Golub Epstein Partnership of the US, National Bank of Poland and the European Bank of Reconstruction and Development. The project will cost $120m.

The land for the project was provided by National Bank of Poland which will eventually take a third of the space. EBRD has provided $65.6m of loan finance and $3m of equity, representing 12 per cent of the total equity of the joint venture. The second large development is a 170,000 sq ft office and shop complex by Ibau, an Austrian developer.

Presently, there are no other buildings available which would provide a stand-alone corporate headquarters. Coca Cola, one of many western companies which have opened offices in Warsaw, is looking for a site to develop its own building.

The drinks company currently occupies a floor in the Palace of Culture and Science, a massive Stalinesque monument which is as impressive outside as it is tawdry inside. Lifts are slow and old, the large corridors are drab and the viewing platform at the top, providing one of the best views of Warsaw, is spattered with graffiti.

From this vantage point it is possible to identify several large sites where developments are planned by international investors but which have still to get under way. These include a 150,000 sq metre hotel, office and retail centre planned by CA Real Estate of Sweden.

Gleeds, a firm of British chartered surveyors which has established offices in Warsaw (and in Prague), says German Austrian, US, Swedish and French companies have been among the most active foreign contractors and developers in the local market. The British, he says, have been less aggressive, he adds; one exception is Trusthouse Forte, the UK hotel group, which is building a five-star 208-room luxury hotel in Warsaw.

Gleeds, which operates out of offices in the Palace of Culture and Science (it pays rent monthly in a mix of D-Mark and US dollars), says the slow rate of development is disappointing though understandable.

One reason is that Polish companies and individuals do not have the money to invest in building while international developers are hesitant to invest given Poland's unstable political and economic environment.

Yet for those who are prepared to take the plunge the potential rewards – based on present level of rents – are good. Construction costs, too, should be low so long as local companies can overcome a tradition of inefficiency and delay.

Poland with a population of almost 40m is one of Europe's biggest countries. Excluding the former Soviet republics, only Italy, Germany, the UK and France have larger populations. Most international companies will want to have some kind of representative office to serve such a large market.

Yet developers which are prepared to take the risk can face long delays and inefficiency as they try to find their way through a minefield of politics and bureaucracy in a community which has little experience of how to manage the planning, design, finances and physical construction of a large private sector development.

Mr Phil Hudson, partner of East 8, the UK property consultants which advised the European Bank of Reconstruction and Development on its Warsaw investment, said: "The biggest problem is finding the right person to make a decision. Those with authority often prevaricate. People who do not have authority are prepared to promise you the earth. Even when you think a decision has been made, it can be changed."

Western financial and engineering consultants operating in Warsaw say petty corruption is endemic, feeding off the confusion that greets Poles and international developers seeking to win approval for schemes.

Identifying potential sites is not a problem. Old Warsaw was almost completely destroyed during the second world war. The rebuilt city contains large area of open space (cynics say it was to make it easier for the secret police to see what the local population was up to). These large open areas should provide opportunities for a new wave of development so long as finance and planning can be arranged.

Determining ownership of potential sites is another headache. Families have the right to reclaim land and buildings acquired by the former communist regime. But finding out the identity of owners can be difficult.

Gleeds tells of a young expatriate architect of Polish descent who claimed an estate in north Warsaw, previously owned by his grandfather. The young man had lost his father's birth certificate proving his relationship to the grandfather. The claim was eventually agreed but only after long delays and much research.

Mr Roman Dziekonski, vice president of the city authority, is trying to improve planning procedures. He wants to create a *development zone* within Warsaw similar to that in London's Docklands. This would offer planning and fiscal incentives and would also attempt to short-circuit red tape.

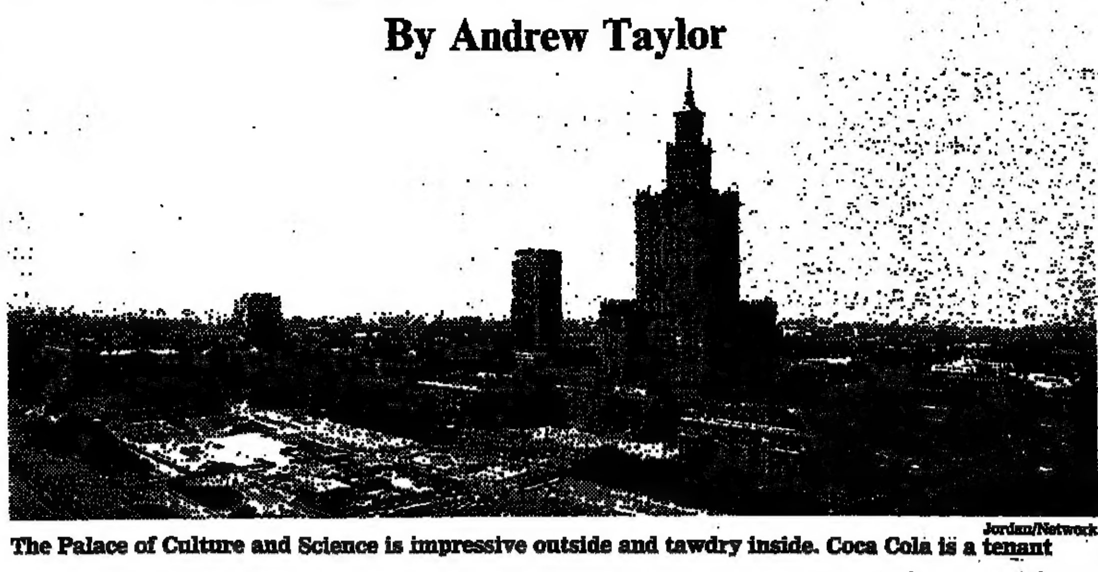
Mr Dziekonski is regarded by international developers and consultants as one of the few bright lights in the central and local government firmament, following the resignation last month of Poland's finance minister, Mr Karol Lutkowski.

Slow decision-making, political uncertainty and a series of highly publicised banking scandals have delayed several potential foreign investments. Up to 40 possible foreign purchases are in the pipeline in sectors such as car production, pulp and paper, cement and brewing.

Recent investors include Asea Brown Boveri, the Swiss/Swedish electrical group, which already employs more than 10,000 people in Poland and has taken a 10 per cent stake in the recently privatised Elektrim trading company. Unilever, the UK/Dutch consumer goods group, and Benckiser and Henkel, two German detergents manufacturers, have also separately acquired controlling interests in Polish companies.

Companies looking for a presence in Poland will certainly want to buy or rent quality office space. Those looking for accommodation in Warsaw include a leading French manufacturer and a top British financial institution. Those like SmithKline Beecham, the British pharmaceuticals group, which already have small offices in Warsaw, are looking for larger accommodation.

In any event, demand from potential occupiers is likely to stay firm; at the same time the risks for developers will remain high.



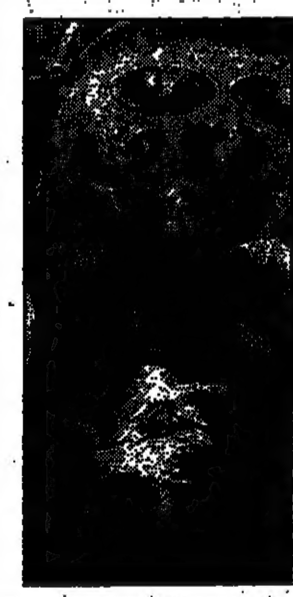
Jordan/Network

The Palace of Culture and Science is impressive outside and tawdry inside. Coca Cola is a tenant

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to Jan 92	-1.1	-9.0	-1.3	-4.2
Quarter to Jan 92	0.0	-3.2	-1.1	-1.5
Month of Jan 92	-0.1	-0.8	-0.4	-0.4

Investment Property Databank



FT LAW REPORTS

Director's disqualification case can go ahead late

OFFICIAL RECEIVER v NIXON

Court of Appeal (Lord Donaldson, Master of the Rolls, Lord Justice Balcombe and Lord Justice Stuart-Smith): February 11 1992

LEAVE WILL be granted to apply out of time for a director's disqualification order if the court is satisfied there is an arguable case for disqualification, provided there is adequate explanation for the delay and it has not prejudiced the person against whom the order is sought. And if there is a question as to whether that person was in fact a director, it is sufficient for extension of time purposes that the evidence, taking all factors together, shows a fairly arguable case that he was a director or shadow director, in that he controlled the company's affairs beyond the province of a professional adviser.

The Court of Appeal so held when dismissing an appeal by Mr David Henry Nixon, from Mr Justice Vinelott's decision upholding leave granted by the County Court to the Official Receiver to apply out of time for an order disqualifying Mr Nixon from acting as a company director.

LORD JUSTICE BALCOMBE said that the Official Receiver had been given leave to apply out of time for a disqualifying order against Mr Nixon.

Section 7(1) of the Company Directors' Disqualification Act 1986 provided that the Official Receiver might apply for a disqualification order against a "director" of a company being wound up by the court.

Section 2 provided that an application for a disqualification order should not be made after two years from when the company "became insolvent", except with leave of the court.

Tasbian Ltd, an electronics company, started trading in 1982. It was largely financed by Castle Finance Ltd.

Castle lent Tasbian £400,000 secured by a debenture. Midland Bank granted it a £250,000 overdraft facility, and Barclays Bank lent a further £610,000 secured by debenture.

Tasbian made losses in every accounting period to the end of 1985.

In September 1985, Castle introduced Mr Nixon, a chartered accountant and experienced company doctor. He was to report to Castle on Tasbian's financial position and advise on and help its recovery. He was also appointed consultant to Tasbian.

On November 1 1985, he reported to the directors after which a decision was made to trade out of Tasbian's difficulties. A moratorium of creditors was proposed, and Castle agreed to subscribe an additional £400,000 share capital.

Sometime after February 1986, Tasbian employees were transferred to a shell company called Harthrook-Manpower Services, which had no other business and no source of income except payments from Tasbian for the employees' services. It incurred large NIC and PAYE liabilities.

Negotiations for the takeover of Tasbian by another company foundered. Tasbian's fate was then sealed. On September 24 and 30 Barclays and Castle respectively appointed joint receivers and managers.

Mr Nixon had resigned as consultant shortly before the receivers were appointed.

As at September 24 1986, there were unsecured liabilities of £1.54m, leaving a deficiency of £1.39m.

The Official Receiver's charges against Mr Nixon were (a) that he failed to ensure that accounts were prepared and delivered in compliance with section 241 of the Companies Act 1985, and to see that the statutory register of members was properly maintained; (b) that he caused Tasbian to trade while insolvent; and (c) that he caused Tasbian to operate a policy of non-payment of Crown monies.

A winding-up order was made on November 10 1986. On December 12, Mr Nixon had a motor accident but was back at work by January 5 1987. In July 1987, he was in contact with the Official Receiver, and made a statement to his examiner on June 2 1988.

Section 6(2) of the 1986 Act provided that for the purposes of sections 6 and 7 a company became "insolvent" if it went into liquidation when its assets were insufficient to pay its debts, or if "(c) an administrative receiver of the company is appointed".

The question arose whether time under section 7(2), which was two years from when the company "became insolvent", ran from appointment of administrative receivers on September 24 1986, or from the winding up order on November 10 1986.

That issue had been decided in the Court of Appeal in favour of Mr Nixon.

The remaining question was whether the Official Receiver should have been given leave to apply out of time.

On the appeal, Mr Bannister for Mr Nixon argued first, that there was not sufficient evidence that he was a "director" or "shadow director".

On an application for leave to bring proceedings under section 7 out of time, the test was the same as that used on any application for leave to take some initiating procedure out of time.

If the court was satisfied that the evidence showed a fairly arguable case on the applicant's part, then on that ground alone, leaving aside the reasons for the delay and any questions of prejudice to the other party, it would not refuse leave.

In section 22(4) "director" was defined as including a shadow director. By section 22(5) "shadow director" meant "a person in accordance with whose directions or instructions the directors of the company are accustomed to act..."

The matters relied on by the Official Receiver to substantiate his case that Mr Nixon was a shadow or *de facto* director were that he was appointed and paid by Tasbian; he negotiated an informal moratorium with creditors; he monitored trading and assisted the board; in particular, he negotiated with the DTI and Inland Revenue; he became a signatory on Tasbian's bank account; he advised on the transfer of the labour force to Hartbrook; and most of the directors regarded him as a shadow director.

Some of the matters on which the Official Receiver relied, taken by themselves, were of little weight, for example negotiating a moratorium with creditors. But others were much more significant – in particular the allegation that Mr Nixon monitored Tasbian's trading, and controlled its bank account; and the Hartbrook hive-down, which Mr Nixon advised and in implementation of which he assisted.

The evidence disclosed a sufficiently arguable case that Mr Nixon was either a shadow or *de facto* director.

Mr Bannister's second argument was that there was insufficient explanation for the Official Receiver's failure to commence proceedings within time.

In considering an application for leave to commence disqualification proceedings out of time, the court should take into account (1) the length of delay; (2) the reasons for delay; (3) the strength of the case against a director; and (4) the degree of prejudice caused to him by the delay (*Secretary of State for Trade and Industry v Desai, CA, November 29 1991*).

The Official Receiver said the application was not late by reference to two years from date of winding-up, but only by reference to two years from date of the administrative receivership, and the application was made to regularise what might otherwise be regarded as an out-of-time application.

Also he said, difficulty was experienced in interviewing Mr Nixon because of the car accident "and it was not until May 1988 that contact was made".

That last passage was inaccurate.

The Official Receiver's misunderstanding of the law was not of itself unreasonable. Against the background of his belief that he had two years from the winding up to make his application, sufficient explanation for the delay had been given.

With regard to the inaccuracies, this was public interest litigation. If Mr Nixon had really behaved so as to render him unfit to be a director, it would not be right to prelude trial of that question merely because the Official Receiver had been inaccurate in certain facts.

The appeal was dismissed. Their Lordships agreed.

For Mr Nixon: Edward Bannister QC (Jude Sykes & Harrison).

For the Official Receiver: Philip Heslop QC and Jonathan Crow (Treasury Solicitor).

Rachel Davies

Barrister

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) of the Insolvency Act 1986
Company No 2282234. Registered in England and Wales

SOUTHERN HOMES (PROJECTS) LIMITED

NOTICE HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ, on 18 March 1992 at 10.30 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on 15 March 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed: N J VOOGHT, Joint Administrative Receiver. Dated: 27 February 1992

To the holders of
British & Commonwealth Holdings Plc (In Administration)
7.¾% Convertible Subordinated Unsecured Loan Stock 2000 ("the CULS")

The Shares Valuation Division of the Inland Revenue has accepted that the CULS were of negligible value with effect from 12th September 1991. Accordingly, CULS holders resident in the United Kingdom, or otherwise within the charge to United Kingdom tax on capital gains are now able to crystallise a loss for capital gains tax purposes should they wish to do so, by making a claim under Section 22(2) of the Capital Gains Tax Act 1979.

The claim may be made in respect of the current income tax year (ending on 5th April 1992) in the case of individual holders or in any accounting period covering 12th September 1991 (in the case of holders within the charge to corporation tax). It is not normally necessary to actually make the claim within the income tax year or accounting period concerned as concessionally a degree of retrospection of up to two years is allowed by the Inland Revenue.

The claim should be sent to the Inspector of Taxes to which the CULS holder submits tax returns and should quote Shares Valuation Division reference CRN 0055672SL.

HOLDERS IN DOUBT AS TO THEIR TAX POSITION SHOULD CONSULT THEIR PROFESSIONAL ADVISER.

ROYAL EXCHANGE TRUST COMPANY LIMITED

HOLLIS INDUSTRIES PLC

Notice is hereby given that a meeting of creditors is to be held at Room G01, Arthur Anderson, London WC2R 2NT, at 11am on 18 March 1992, to consider our proposals under section 23 (1) of the Insolvency Act 1986 and to consider establishing a Committee of Creditors. A copy of our proposals may be obtained from PO Box 55, 1 Surrey street, London WC2R 2NT.

J.A. Talbot, A.W. Brierley, M. Fishman, M.L. McKillop, Joint Administrators.

OFFICE OF FAIR TRADING
COMPETITION ACT 1980
NOTICE UNDER SECTION 3(2)(B)
SOUTHDOWN MOTOR SERVICES LIMITED

Under section 3 of the Competition Act 1980, the Director General of Fair Trading is to investigate whether Southdown Motor Services Limited ("the company") has been or is pursuing a course of conduct which amounts to an anti-competitive practice. The matters to be investigated are:

(1) the conduct of the company in respect of its operation of local bus services in the Bognor Regis area with particular regard to the registration of services 242 and 262, the method of operating those services, and the fares charges on those services.

(2) whether that conduct restricts distorts or prevents competition in connection with the supply of local bus services in the Bognor Regis area.

If you have any information which you consider would help the Director General, please write to:
Office of Fair Trading, Branch CP1C, Room 432, chancery House, 53, Chancery Lane, London, WC2A 1SP.
Your letter should arrive as soon as possible if it is to be taken into account in the inquiry.

Notice of appointment of Joint Administrative Receivers.
PEARCE & CULTER ALUMINIUM SYSTEMS LIMITED

Registered number: 1425677. Nature of business: Curtain Walling and Window Manufacturers. Trade classification: 23. Date of appointment : 26 February 1992. Name of person appointing the administrative receivers: Barclays Bank Plc. IAN NAPIER CARRUTHERS and DAVID ROBERT WELTON, Joint Administrative Receivers, (Office holder nos: 814 and 292). Cork Gully, 43 Temple Row, Birmingham B2 5JT.

PAGE PRINTER APPLICATIONS PLC

Registered number: 2057069. Trading Name(s) as above. Nature of business: Computer Services. Trade classification: 36. Date of appointment : 25 February 1992. Name of person appointing the administrative receivers: Lloyds Bank Plc. J M Iredale and N J Vooght, Joint Administrative Receivers, (Office holder nos: 2014 and 6337). Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

MAXWELL TECHNICAL SERVICES INTERNATIONAL LTD

Notice is hereby given that a meeting of Creditors is to be held at Room G01, Arthur Andersen, London, WC2R 2NT, at 12pm on 18 March 1992 to consider our proposals under Section 23(1) of the Insolvency Act 1986 and to consider establishing a Committee of Creditors. Copy of our proposals may be obtained from PO Box 55, 1 Surrey Street, London WC2R 2NT.

J.A. Talbot, A.W. Brierley, M. Fishman, M.L.McKillop, Joint Administrators.

IN THE MATTER OF
FAWNCRAFT LTD
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 48 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 26th February 1992.
Dated this 26th February 1992
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
48 Conduit Street, London W1R 9FB

IN THE MATTER OF
LONDON TAXI PARTS LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 48 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 25th February 1992.
Dated this 25th February 1992
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
48 Conduit Street, London W1R 9FB

INTERNATIONAL PROPERTY

INTERNATIONAL PROPERTY

COMPANY NOTICES

ENGELS-HOLLANDSE BELEGGINGS TRUST N.V.
(English and Dutch Investment Trust)
(Investment company with variable capital)
Established in Amsterdam

HEREBY GIVES NOTICE that it has received the following notifications under the Listed Companies Disclosure Act:

Name	Percentage capital interest	of which indirect	of which potential	Percentage voting rights	of which indirect	of which potential
Guardian Royal Exchange, One Aldgate, London EC3N 1RE	29.7%	-	-	29.7%	-	-
Equitable Life Assurance Soc., 4 Coleman Street London EC2R 5AP	18.4%	-	18.2%	18.4%	-	18.2%
Mens Beheer B.V., Heereweg 448c, 2161 DH Lisse	9.9%	-	-	9.9%	-	-
Swedish Fasta B.V., Strawinskylaan 647, 1077 XX Amsterdam	16.1%	-	-	16.1%	-	-
Viggen Fastigheter B.V., Buitenhof 65 2513 AH Den Haag	24.1%	-	-	24.1%	-	-

Amsterdam, 27th February 1992

PERSONAL

VINCENT T. O'DONOGHUE

Most recently practising as Jefferson Lloyd, Solicitors, 95 St. Stephens Green, Dublin 2 is no longer the holder of a practising certificate and has announced that he has retired from practice as a Solicitor with effect from 6th January 1992

DOUGLAS-MANN Keith John Sholto. A Service of Thanksgiving will be held on Tuesday, April 7, 1992 at 12 noon in the Guards Chapel, Wellington Barracks, Birdcage Walk, London, SW1

CONTRACTS & TENDERS

C.A.P.

The Argentine Corporation of Meat Producers calls for a National and International Public Tender

for the sale of its cold-storage plant "CAP-Cuatreros", located in Gral. Daniel Cerri, Bahia Blanca, Province of Buenos Aires, Argentine Republic, with all its inventories, approximately 1,900 hectares of surrounding lands and all its registered trademarks, within the country and abroad.

New opening date for offers: Offers must be submitted until March 17th, '92, 12:00 hours, at the Argentine Corporation of Meat Producers (C.A.P.)'s main office, located at Avda. Córdoba 883, 12th floor, (1054) Buenos Aires, Argentina, Phone: (54-1) 312-7991/9683, Fax: (54-1) 312-3714, Tlx 21154 CAP AR.

Cost of tender specifications: $ 5,000.- or US$ 5,000.-

Tender specifications are sold at CAP's main office, from 12:00 to 17:00 hours.

We are a wholly owned subsidiary of a large Finnish investment company with stability and financial strength, committed to the financial services industry. The London office is engaged in proprietary trading only, specialising in options market-making and futures trading with emphasis on systematic analysis and advanced risk management.
We delegate full responsibility to our traders and concentrate on the individual.

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We are looking for a skilled trader with a minimum of two years experience of trading his/her own book in major futures markets. The successful candidate must be able to take full responsibility for both analysis and trading implementation.

OPTIONS MARKET MAKER

We are looking for a floor or desk trader/market-maker with at least two years experience of trading an options portfolio.
You will take full responsibility for running your own book.

We offer a fixed salary of £30-35k plus 15-25% commission.

To apply, please telephone 071-581 4888 and request an Application Package or write to: Servisen (UK) Ltd., Mr Olof Neiglick, 178 Brompton Road, London SW3 1HQ

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We seek a highly motivated, professionally qualified, marketeer to initiate, direct and implement the strategy for the delivery of our client's wide range of investment products. The successful candidate will have an extensive knowledge of international equity and bond markets as well as a sound understanding of unit trusts and some understanding of Islamic investments. Strong man management skills are essential as is a profitable track record which demonstrates an innovative approach to product development and sales. Knowledge of Gulf markets is desirable.

Head of Investment Operations

This important role manages the support function for the bank's investment services. In addition to responsibility for administration, accounting and reporting, the position also encompasses settlements and share custody supervision. The ideal candidate will have an in-depth exposure to securities back office operations. A thorough knowledge of back office systems would be a considerable benefit.

In each case proficiency in Arabic would be preferable. Interested individuals should either telephone or send their curriculum vitae in strict confidence to **Walter Brown or Philip Wright.**

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London EC3V 9BY

Tel: 071-895 8050
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Hospitals get the quality treatment

Alan Randall looks at magic moments in America

Mike Matzinger, a paramedic, entered the hospital ward carrying a shopping bag. He was visiting a boy knocked down by a car the previous day whose school uniform Matzinger had cut during treatment. The paramedic had just gone out on his day off work and bought a replacement set.

The incident at Williamsport Hospital in Pennsylvania is one of 1,000 "magic moments" listed by the hospital as the result of its six-year Total Quality Management programme. Williamsport is a pioneer, but is far from alone in trying to apply TQM in a health setting.

In the last two years, American health managers have become fascinated by quality. It now takes second place only to cost containment in a country where 13 per cent of the gross national product is spent on an largely insurance-based health care system.

TQM can create big financial savings. Research has indicated that companies often spend between 25 and 30 per cent of operating budgets rectifying errors in the production process. Exponents of TQM claim it can save about half of those costs by getting things right first time.

The whole notion of quality has a particular significance in medicine. Cars built with defects may be re-worked, but patients who are treated wrongly will suffer unnecessarily and may not recover at all.

So far, most health care improvements have been administrative. A team of physicians and managers halved the number of unavailable out-patient records at the Walnut Creek Medical Center in California by using problem solving techniques, common in industrial engineering.

Similar successes were reported in an eight-month national demonstration project. The project matched 21 experts in quality management from corporations, universities, and consulting firms with management teams from health organisations.

Each team selected a problem area at their workplace and applied a TQM solution. The problems included telephone response times, transfer of data between sites and improved billing; none covered clinical subjects, or broad corporate change.

After six years of the TQM programme at the Williamsport Hospital, Donald Creamer, chief executive and president, can produce a list of achievements by "improvement teams" as part of the hospital's "Making People Well and Happy" campaign. They include:

- Raising the rate of improvement in post-heart attack patients undergoing rehabilitation from 66 to 80 per cent.
- Achieving significantly lower mortality rates than other hospitals with the same mix of patients.
- Responding to parents' wishes not to be parted from their children before they are anaesthetised for operations.

Timothy Manello, the hospital's vice president for human resources, says the programme has depended on involving and looking after staff. There is an extensive programme of staff training and rewards designed to inculcate values and standards in all employees.

Apart from monthly awards, the two employees of the year receive $500, a silver tray and a week's family holiday in Florida.

Another hospital with interesting results is the Department of Veterans Affairs Hospital in Kansas City. Managers claim that since the introduction of a Quality Management Programme, they have cut the number of deaths in the hospital by 20 per cent.

The hospital has a small team of specialist nurses who monitor 15 types of untoward incidents, including all in-patient deaths. After the team presented results to physicians and ward teams, clinical and administrative policies were changed.

These American experiments have lessons for Britain. The National Health Service Management Executive has invested £2.5m over the last three years in supporting local TQM initiatives. This financial year, 12 sites have shared £1m.

The projects are now being examined by a team from Brunel University, and early evidence suggests that the NHS experience compares well with the US. In my own health district of Worthing in Sussex, some tangible results have been achieved:

- At Shoreham Health Centre, doctors, nurses, receptionists and the caretaker worked together to improve patient waiting areas, signposting and access to the premises.
- At Worthing Hospital, the porters were issued with walkie talkies to improve response times.
- The ambulance service introduced radio-cassettes to entertain patients travelling to out-patients' wards.

But despite the hopeful evidence from both sides of the Atlantic, there are some important questions to be answered before the case for TQM in health is fully made.

The first is whether TQM can be transported from the private sector into the public sector.

There seems little reason to think that the main thrust of the approach cannot be transferred, but there are harder questions about its techniques for involving staff.

One of the exciting components of TQM is the idea of encouraging staff to take responsibility: this approach can cut across the bureaucratic style of public services.

Trust hospitals now have a clear interest in delivering the services required by customers – purchasing health authorities and fund-holding general practitioners. They also have more freedom to devise their own staff reward packages to encourage quality.

A bigger unknown is whether TQM can be applied to clinical areas. The evidence from the US is so far unconvincing. In theory, there should be no problem. The systematic, disciplined method at the heart of the TQM reflects the clinical approach of doctors.

However, doctors may resist because they see it as a cunning way for management to become involved in monitoring the work of doctors.

Alternatively, they may regard participation in problem-solving teams as a waste of time or fail to see that many unsatisfactory clinical outcomes stem from system failures.

A further set of questions surrounds the problem of defining quality in health care. Is quality to be judged by compliance to agreed procedures? Or is it by the condition of the patient on discharge? Or is a longer term view of the outcome for the patient necessary? And what part should the patient's experience in hospital play in judging quality?

In the industrial setting some of these questions can be answered by asking the customers to rank quality components. In many cases, this is not so easy in the health setting.

Despite these difficulties, the potential prizes to be reaped from TQM make it well worth exploring on a more serious basis in the NHS. If it works well, it could result in big improvements of the sort witnessed in successful Japanese and American companies.

At a minimum, it could result in more medical records being found and some telephones being answered more quickly. Small gains like that should not be dismissed lightly.

Alan Randall is chief executive of Worthing district health authority. He studied US health care as a 1991 Harkness Fellow of the Commonwealth Fund, New York

Christopher Lorenz

The sum total adds up to more than figures

It may seem a naive question to ask in a newspaper such as this, but should finance necessarily be the common language of a company? You would certainly think so from the horrified reaction of some people last week to a study which demonstrated the ignorance of many non-financial managers in Britain about a series of basic tools and concepts: such fundamentals as depreciation, discounted cash flow and even the difference between a balance-sheet and a profit and loss account.

Paradoxically, the conclusion that finance is all-important has probably been drawn by most people from a sustained correspondence in the FT over the past month about Akio Morita's declaration that accountants should not run manufacturing companies in Britain – or, presumably, anywhere else.

The bombastic chairman of Sony complained that too much of British industry is in the hands of accountants who do not understand the engineering that goes into their own products. Quite so.

Predictably, the resulting correspondence has ranged the accountants against Britain's downtrodden engineers. Between these two extremes, the seemingly level-headed centre of the debate was epitomised by a managing director who wrote last week that "the only real common ground between disciplines in any business, whether in engineering or not, is finance".

On the face of it, his argument may indeed appear sensible. But I beg to differ with it.

Finance need not be the common language of a company – certainly not the only one. Have we struggled in vain through our various business experiences of the past decade, learning nothing from "In Search of Excellence", Total Quality Management, and various versions of the maxim "put the customer first"?

If "Excellence", the best-selling business book of the 1980s, taught us anything other than that good management is a lot more complicated – and short-lived – than many people thought, it is this: that successful companies have a powerful set of beliefs (or "values") that are shared across the organisation, from top to bottom and side to side.

Few, if any, of these beliefs are financial: they are certainly not expressed in financial terms.

Then there is TQM. Many aspects of it are expressed in financial terms, but by no means all of them are. It also involves various non-financial measures: of quality performance, of customer satisfaction, and so on.

And what about Customer First (or "Close to the Customer", if you prefer that version of the jargon)?

Finance need not be the common language of a company

For a value such as this really to permeate a company, what is needed is not so much financial literacy as an understanding both of consumer psychology and of basic marketing concepts such as positioning and segmentation.

Yet many people in such companies – including accountants and even some sales executives – are woefully ignorant of the real meaning of such terminology.

Is this any more serious than the ignorance of financial concepts shown by the respondents to last week's study?

My answer would be no, they are both equally serious: that marketing should be just as much the common ground between disciplines as is finance.

So, too, in a manufacturing company, should be engineering, electronics, chemicals or whatever. Can anyone imagine, say, a Sony or Apple manager who does not understand electronics – regardless of his or her background?

Which brings us to the question of whether specialists of one sort can be expected to learn another's language, and embrace it as a real part of their thinking processes.

That engineers can, given the right training, live and breathe finance – and marketing – is patently obvious from the accomplishments of so many of them at and near the top of successful companies in Japan, Germany, Sweden and also the United States.

The same almost goes for marketing people: once trained, they are certainly adept at thinking finance, though they find engineering a bit harder.

But accountants? With notable exceptions, there is only limited evidence to suggest that the fraternity can really learn to "breathe" either marketing or engineering.

In part, this is because accountancy is essentially a control discipline, whereas marketing and engineering are at least partly creative – or should be.

Arch controllers who have plumped at an early age for the safe (well, safe-ish) waters of accountancy find it harder to think creatively – in the proper sense of the word – than creative people find it to master the skills of control.

All of which leaves us with the conclusion that finance is important, but not all-important. Just like marketing and engineering, in fact.

Hence, the idea, advocated in the current issue of the Harvard Business Review, of a "balanced score-card" of measures, which complement a financial perspective with ones on customer satisfaction, internal company processes, and the organisation's innovation and learning activities.

The only totally common ground between disciplines in business is not finance, but people.

But that does not mean that everyone in a company should understand the often arcane language of personnel any more than that those unfortunate personnel managers in last week's survey – a quarter of the sample – should lie awake worrying about the proper definition of DCF.

TECHNOLOGY

Michiyo Nakamoto explains why recordable compact disc are proving so elusive

Blinded by the light

The crisp, clear digital sound of compact discs, those shiny, silvery plates that bounce little rainbows off their surface, has fundamentally changed the way we listen to music.

The problem for audio buffs, however, is that having become used to the superior quality of digital recordings, they still have to make do with dull-sounding conventional analogue tapes if they want to make recordings at home.

It is not that the manufacturers have been blind to the potential for this market. Audio tapes that can be used to record music at home, digitally, are already on offer.

Sony's digital audio tape has been on the market since 1986 and Philips is launching its digital cassette player this autumn. The quality of sound which digital tapes offer is just as good as that of CDs.

But digital tapes are still tapes, with the attendant problems that anyone who has played their favourite tune over and over again is familiar with. So the search has been on for recordable CDs, which would provide random access to any music track.

The CDs that are currently available are of the "read only" type. They are pre-recorded digitally and cannot be recorded on once they have left the factory.

To record on an disc, laser technology uses heat to make marks of light and dark. To read what is recorded on a disc, the laser beam goes over the disc and picks up the light and dark marks on it as digital signals, which it then converts into sound signals.

Recordable CDs would have to be made in a form that would allow the laser beam in a CD player to make marks on the disc and then read back what was written.

There are two technical problems faced by manufacturers making recordable CDs.

The laser in the compact disc player picks up certain data from the disc, such as the number of tracks and the length of each, before it will play the disc. This is known as the table of contents.

But since recordable CDs, which are blank, do not have a table of contents, the laser cannot pick up the information. Any existing CD player would refuse to play such a disc. This is a problem for Philips and Sony since they are committed to allowing any new CDs to be used on existing players.

The other technical obstacle has been that the industry standard for CDs requires them to have 70 per cent reflectivity (the disc has to reflect 70 per cent of the light that hits it) after they have been recorded on.

In order for a laser beam to write on the CD, however, the surface needs to be dark enough to absorb the heat from the laser beam. The reflectivity needs to be 15 to 20 per cent.

To put a recordable CD on the market, manufacturers have had to come up with a material that has a low enough reflectivity to be recorded on but that will still end up as a shiny disc with a reflectivity of 70 per cent so that it can be played back.

The first of these two problems has been overcome by including a function in recordable CD players that will put a table of contents on the disc after it has been recorded. Thus any CD that has been recorded on can then be played on a conventional player.

The problem of reflectivity has been solved by Taiyo Yuden, a Japanese electronics company. Taiyo put a chemical layer just above the layer of metal coating in the CD on which the laser beam would make its marks and off which it would read them. The chemical layer is easily activated by heat. When the laser beam hits this layer it reacts with the heat and works on the underlying metal coating to make the necessary marks.

Taiyo's recordable CDs have been on the market for professional use and for use in computers at a cost of about Y4,400 (£20). The disc has a life expectancy of 100 years, says Taiyo.

The company, however, does not yet have immediate plans to manufacture recordable CDs for the consumer market, largely due to the high price of recordable players which still sell at about Y1m.

It is also unlikely that the price of the recordable discs will fall in the foreseeable future on a par with pre-recorded CDs. The high price is mostly due to the complex manufacturing process and mass production may not automatically bring the price down.

Plasmon, a Cambridge-based manufacturer of optical discs, and Ciba-Geigy, the Swiss chemical company, have agreed a joint development project to produce a second type of recordable CD which would use what they claim is a more stable chemical than that used by Taiyo. Plasmon is hoping to bring the price down to £5 in five years' time.

Meanwhile, others are working on rewritable CDs.

Sony has opted to develop magneto optics, a technology that uses light, heat and magnetism, for its minidisc system of small recordable CDs.

Matsushita, on the other hand, has opted for the "phase change" approach based on laser technology, which it already employs in recordable and rewritable systems for computers.

Chip's a fast-talker

There are few things more irritating than the android-like digitised voices that are used to give machine instructions. But until recently the only other way of recording and repeating a message has been the traditional audio tape.

Now a digital rival has come along which enables conversation or music to be recorded in its original analogue form. The big advantage of this chip is that it gives excellent voice reproduction, says Karen Moores, product manager at Sequoia Semiconductor, the Reading-based distributor.

And, say the companies that are using it, the chip, developed by Information Storage Devices, of San Jose, California, could find its way into everything from answering machines and mobile phones to talking dolls and even a talking scarecrow.

London-based Voice Messaging Systems, for example, launched a package in January which has been incorporated, among other applications, in fire and security devices. Instead of just sounding an alarm, the chip can advise on the quickest route to a fire exit.

Since the chip can be incorporated in packages as small as a luggage tag, it could be used to label suitcases with the traveller's name, flight number and destination, says Michael Hurlow, marketing and technical director of Voice Messaging Systems.

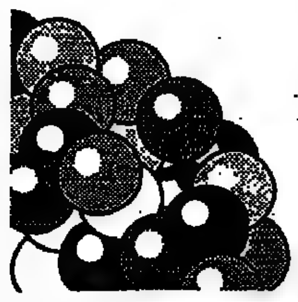
When the next holiday comes around the traveller records over the last message by pressing a button – in the same way as recording on to a cassette. Each chip can take up to 100,000 re-recordings.

Ironically, while the rest of the world is replacing analogue technology with modern digital techniques, the production of the analogue chip taxed the skills of engineers for years. Some even said it was impossible to produce.

The difficult lies in storing a correct representation of the sound. With digital storage just a "0" or a "1" is required – represented by the presence or absence of an electrical pulse. ISD's chip, on the other hand, has to hold the information at varying levels between 0 and 2.5 volts.

The trick, says Hurlow, is not only to store the sound but to be able to repeat it, and that involves precision in the chip's clock. "If you get a drift in the clock you can sound very tired or very elated." Limitations of the chip at the moment are that it can only store a maximum of 20 seconds of speech. But by the end of the year ISD will be selling a 75-second device, says Steve Stephansen, vice president of marketing and sales.

Della Bradshaw



WORTH WATCHING

by Paul Taylor

Squeaky wheels get the grease

WHEN a train goes round a curve the wheel flanges, which help hold the train on the track, get worn and typically need refurbishing every eight to 12 months.

Denco, the British lubrication specialist, has devised a technique which extends the lives of rail-wheel flanges by a factor of three or four.

The electronically controlled system, developed in conjunction with British Rail, is fitted to the train and automatically sprays a measured amount of weather-resistant lubricant on to precise points on the flanges of both front and rear bogies.

For environmental reasons the amount of lubricant sprayed each time is very small, limiting the spread of oil from the wheel flange to wheel tread. With a typical distance of 200m between spray operations a train can run for 200,000 kilometres before the 8.5-litre oil reservoir need replenishing.

British Rail, which hopes to save thousands of pounds a year using the system, has placed an initial order for 30 customised sets. A bonus is that the intrusive squeal from dry wheels running on tight curves should be eliminated, and track wear should be reduced.

New copier goes back to its roots

TWENTY-FIVE years ago the now ubiquitous plain paper copier was in its infancy. Most offices used a stencil machine to run off multiple copies of documents.

Now a distant descendant of the humble stencil duplicator, called a digital duplicator, is poised to challenge the copier's supremacy. The digital duplicator is a blend of old and new technologies. It uses a stencil master image produced using scanning technology similar to a fax machine.

The result is a single compact unit in which the original is fed in one end and copies emerge from the other – just like a copier, but with an output of 130 copies per minute it rivals all but the fastest copiers which cost much more.

The quality of digital duplicating is now equal to, if not better than, that of a copier, and, like its predecessor, produces high-volume copies (anything in excess of 15-20 copies) at a low cost.

Riso Kagaku of Japan, which pioneered digital duplicating, has launched a series of models costing less than £10,000 which will also take input direct from a desktop PC or Apple Mac.

At home in the Square Mile

CONFUSED by the City? An interactive PC-based program, called Discover the City, is intended to provide newly recruited financial services staff with the opportunity to explore the financial markets and institutions in London's Square Mile.

The user takes the role of a financial magazine research assistant who is set a series of assignments by the "editor". Financial Courseware, developers of the software package which runs on IBM compatible AT machines, claims it will help staff put their own jobs in context, get them quickly up to speed on financial jargon and give them confidence in dealing with projects and clients.

The package, including software and additional teaching aids, costs £1,250.

Chips come out of cold storage

THE use of CFCs in manufacturing is acknowledged to be one of the prime causes of ozone "holes" in the stratosphere, and many governments have drawn up schedules for their elimination.

Thermo Electron Technologies of San Diego, California, has developed a miniaturised thermoelectric cooling module which employs semiconductor elements in place of CFCs. These are sturdier than conventional cooling units.

Potential uses include cooling electronic components in aircraft, air conditioning systems in cars and producing slimmer wall-mounted air conditioners for homes.

Meanwhile, NEC of Japan has developed a new technology which aids the examination of integrated circuit (IC) print boards for organic residues after they have been washed with substitutes for traditionally-used CFCs.

NEC claims its technology, which uses filtered light from a mercury lamp, is simpler, quicker and more accurate than earlier alternatives and should contribute towards the evaluation of CFC substitutes in IC production.

Spreadsheets branch out

BORLAND, the US software group, has launched Quattro Pro 4.0, the latest version of its popular Dos spreadsheet. Among the new features are push-button (mouse-click) "SpeedBar" access to most functions, "intelligent graphs" and an "Optimizer" feature where users specify a desired goal for a spreadsheet model and the software then changes variables until the goal is reached.

For disorganised PC users OpenSoft UK, the British arm of the US software republishing house, has launched TakeNote for Windows 1.0 in Europe.

TakeNote is a personal filer featuring a personal database, address book, contact file, inventory and auto-dialler and costs £59 plus VAT, or £49 plus if purchased before May 31.

Working in a flower garden

JAPANESE companies are using perfumes in their offices to transform the atmosphere into a flower garden or Alpine pasture in the hope of improving employee performance. According to Shiseido, Japan's largest cosmetics group, the plug-in "fragrance processor" can be adjusted for strength of scent. Refills are needed about once a month.

Contacts: Denco: UK, 0432 277277. Riso Kagaku: Japan, 03 3572 8551; UK, 081 446 1188. Financial Courseware: UK, 071 353 4212. Thermo Electron Technologies: US, 619 578 5885. NEC: Japan, 03 3798 8511. Borland: US, 408 438 8400; UK, 0734 320022. OpenSoft: UK, 081 343 8588. Shiseido: Japan, 03 572 5111.

ARTS

'Apollo flaying Marsyas' by Jusepe de Ribera, currently in the Naples exhibition

Cruel master of martyrdoms

Susan Moore reviews the pitch dark world of Jusepe de Ribera

In Poussin's "St Erasmus" the saint's entrails are slowly being winched out of his stomach, but the sky is still blue and martyrdom seems no more troublesome than a visit to the dentist. In Jusepe de Ribera the prospect of death is not so agreeable. His saints inhabit an urgent, brutal and pitch-dark world in which raking light is the only sign of salvation, and colour is courtesy of burning coals and flayed flesh.

Counter Reformation art was fond of celebrating the sacrifices of the saints, and gory mythologies were common in Renaissance art. In Ribera, as in Titian and Rembrandt, what disturbs is that the protagonists are real people. Ribera's executioners particularly relish their tasks. In his "Martyrdom of St Bartholomew" the colluding grins of the executioners draw one into the mob, which is stringing up the wasted body of the aged Bartholomew, and into the terrifying confusion and crush where snatches of action and disembodied faces loom out of the night. The painting is a *tour de force* of unsettling diagonal rhythms and of sagging, dry and wrinkled flesh produced by dragging a bristly brush through richly impasted pigment.

It is also informed by an unusual intelligence. Ribera has selected the essential moment of bloodlust. Bartholomew has refused to worship the pagan idol; as it falls to the floor the order is out for him to be flayed alive and the henchmen are busy tying his legs with rope. As all torturers know, the anticipation of what is to come is their most effective implement. Caravaggio offers blood-and-guts violence; Ribera, his closest follower in Naples, has an unmistakable strain of cruelty.

Was the savagery of his martyrdoms simply a relection of the violence of life in 17th-century Naples, or an indication of a darker, essentially Spanish psychology? Jusepe de Ribera, known as "lo Spagnoletto" – the little Spaniard – is a problematic artist in many ways. Born in Valencia, he lived most of his adult life in Naples, then under the dominion of the Spanish viceroys. His painting, however, is very much part of the Italian tradition. Precious little is known of his early life or oeuvre, and the range and virtuosity of his mature work is surprisingly unfamiliar to a general public.

His relative neglect stems from the fact that he is either renegade or foreigner to these national schools of painting. His reputation has suffered too from the numerous copies and imitations of his work made during his lifetime, and by the capacity of his vast, tenebrous narratives to defy reproduction.

An opportunity for reappraisal comes at last in the form of an ambitious all-embracing loan exhibition of paintings, drawings and etchings, conceived to mark the 400th anniversary of his birth in 1591. Planned to open in Madrid last October, it instead takes its first bow in the massive 16th-century Castel Sant'Elmo in Naples. The Prado show, which opens in May, is designed to present the "pure" Ribera to the Spaniards, drawing together work primarily from Spanish religious foundations and collections. In contrast, the Naples show includes school and attributed works which makes it more experimental, contentious and, above all, thrilling.

Ribera unfolds along a sequence of the fortress's imposing stone vaulted spaces, the pictures theatrically set against brilliant scarlet cloth. There are peculiarities in chronology perhaps, and some unlikely candidates for the hand of Ribera. Unevenness is also due to the spotlighting and to the dramatically varying states of preservation (or lack of) and restoration of the canvases.

Nonetheless, the impact of the scale and conception of Ribera at his best is astounding. There is the compellingly grotesque 2.29m wide "Drunken Silenus" where the gross Silenus is lying surrounded by a motley band of horribly naturalistic satyrs and the goat-horned Pan, and the blood-curdling Apollo flaying Marsyas. Tityus and Prometheus, both in monstrous scale (their poses, like that of St Bartholomew, derive from the Antique statue known as the Dying Gaul) suffer agonies as their innards are torn out by an eagle and a vulture.

From the Prado comes a great Trinity, a Martyrdom of St Philip and The Dream of Jacob. Ribera has a startling gift of characterisation whether painting saints or villains. Humanity is well observed and detail is ever convincing (another St Bartholomew's assassin holds his knife between his teeth as he uses both hands to tear flesh).

The show reveals that there is far more to Ribera than martyrdoms and mythologies. It presents series of half-length Apostles and Philosophers, and genres illustrating the five senses. There are a few splendid formal portraits, such as the proudly bespectacled Knight of the Order of Santiago. Perhaps more unexpected is the tenderness, pure colour and classical repose of the majestic late "Mystic Marriage of St Catherine".

Ribera's elaborate signatures sought to make it clear that he was a Spaniard rather than a native Neapolitan, his nationality encouraging lucrative commissions from the ruling elite. By the 1620s he was in effect the arbiter of taste in Naples. He worked for a succession of viceroys and for the increasingly wealthy church. It was a position he had worked for and aimed to maintain. Along with his friends he operated a sort of artistic Camorra whereby no painter could work in Naples without their consent, and anyone who proved too proficient was hounded from the city.

Guido Reni fled after his assistant was wounded in 1621, Domenichino was tormented and finally died, his wife convinced that he had been poisoned. Annibale Carracci was also reputed to have died as an indirect result of the harassment of this cabal. When Stanzione painted a much admired Dead Christ for the Certosa di San Martino, Ribera persuaded the monks to let him lighten it and in so doing ruined it with corrosive liquid.

The clergy had no qualms about employing Caravaggio, a murderer, and any number of artists who were known criminals or of ill-repute. There was no correlation between sacred art and the piety of the patrons or painters.

It is tempting to see in Ribera's essentially Italian art a Spanish predilection for horrific martyrdoms, oddities, and for a certain religious sentiment. On the instruction of one of the viceroys, the Duca di Alcalá, Ribera painted his most extraordinary picture, a portrait of Magdalena Ventura with her bemused husband and son. Nothing strange about that one might say until one notices the Signora's long black beard.

Ribera's inscription tells us that she is 52, and was 37 when she "began to become hairy", and had borne three sons. The artist has made the image as sensational as possible, depicting Magdalena nursing her child and exposing a floppy brown breast of a kind never found in any Madonna.

The Naples venue has an additional advantage of the neighbouring Certosa di San Martino, with its great Pieta by Ribera and series of newly restored frescoes. There is also access to the Chapel of St Januarius in the Cathedral. The show continues in Naples until March 12, the Spanish version is at the Prado Museum in Madrid, May 30-August 25. A much reduced version of that show goes to the Metropolitan Museum in New York, Septembre 16-November 22.

The Pocket Dream

ALBERY THEATRE

Charlie Chaplin used to say that all he needed to make a comedy was a park, a policeman and a pretty girl. A short-staffed performance of *A Midsummer Night's Dream* at the Albery finds Mike McShane and Sandi Toksvig reduced to a similar minimalism in their very funny *Pocket Dream*. The play is based on the single idea of short-handed Shakespeare, and has just enough stamina to last the evening.

Shortened Shakespeare is nothing new: the "Skinhead Hamlet" runs to three pages in the *Faber Book of Parodies*; and in the theatre, Tom Stoppard's *Dogg's Hamlet* and *Cahoot's Macbeth* are distinctly succinct. What *The Pocket Dream* offers is a cast of five taking on 18 parts and delivering most of the essentials of Shakespeare without ever trespassing on seriousness.

The play starts in crisis; 16 of the cast have repaired to the local pub, the theatre manager has placed the evening's box office on a greyhound in Catford, and the audience (played here by the audience) wants either a show or its money back. The Stage Manager (Sandi Toksvig) and the Front of House Manager (Mike McShane) decide the performance must continue. Add the PE teacher boyfriend (Lee Simpson) of the leading actress (Louisa Rix), an overdone leading man (Phelim McDermott) and an ursine stage-hand (Clive Mantle), and high jinks ensue.

The plot follows Shakespeare, but the atmosphere on stage is made so informal by Toksvig and McShane, that the funniest moments of the evening come from watching them get back on terms with the real play. The gags range from the smutty ("I haven't had my legs this wide in years") to the witty ("I have never been so insulted" – "Oh, you should get out more"); there is even space for the Buster Keaton falling wall gag. The set is supposed to be basic provincial repertory, although the artificial grass seems unkind.

However, the show belongs to McShane, the bulk of the evening. From the first unwilling speech wrested from him ("I'm outta here"), he threatens to descend to new levels of anarchy each time he appears.

Toksvig, who co-wrote with Elly Brewer, dovetails the backstage madness into the Shakespeare, manages some lively slapstick as Puck on a trapeze, and strikes up a fine rapport with both McShane and the excellent Clive Mantle.

The audience has a chance to assist in the debacle of Pyramus and Thisbe, principally in the form of sound effects which have the stalls on their feet in an extravagant Mexican lion's roar, the galleries barking and the dress circle waving torches. There are even some lines to be spoken collectively; so if, as Prince Philip reportedly said, one can be forgiven a great deal if one can quote Shakespeare in an economic crisis, then absolution is at hand in the Albery.

Andrew St George

Rare operas produced in Lyon and Geneva

Andrew Clark reviews Busoni's 'Turandot' and Berlioz's 'Benvenuto Cellini'

All that remains of the dear old Opéra building in the centre of Lyon is its four stone walls, which will provide the shell for a new multi-storey theatre complex opening in May next year. The project speaks of a risk-taking spirit, tons of public money and a mission to extend opera's contemporary appeal - just the combination which has helped the Opéra de Lyon to maintain a high-quality profile during these past six years of enforced homelessness.

The current season includes both Puccini's *Turandot* and Busoni's earlier, German-language opera of the same name, last revived at Wexford in 1988 after a long period of neglect. Perhaps things are beginning to look up for Busoni. After four staged performances in the Auditorium Maurice Ravel, *Turandot* will be commercially recorded together with *Arlecchino*, which was premiered on the same bill in Zurich in 1917. The Lyon production made just about the strongest imaginable case for the Busoni work.

Staged by Henry Akina and conducted by Kent Nagano, *Turandot* came over as a compact, highly-charged blockbuster. Busoni reveals himself as a master-technician: the dramatic structure is taut, the scene-painting swift and punchy. Turandot's three riddles – with more than a musical whiff of the Wanderer-Mime encounter at the beginning of *Siegfried* – are answered by the end of the first act, and the whole show is over in 90 minutes.

The music is a pot-pourri of sounds and styles – neo-Romantic harmonies, oriental pastiche, even some choral variations on "Greensleeves" – none of which lingers long enough to become tiresome. The plot, too, is a bit of a hybrid, largely because Busoni took Gozzi much more to heart than Puccini did. In Busoni's hands, Chinese antiquity ranks as little more than an incidental setting for the marriage of Italian commedia dell'arte to post-Wagnerian music-theatre – a bit like *Ariadne auf Naxos*, but with a pronounced air of tragi-comedy.

This collision of cultures was the key to Ric Schachtebeck's designs for the Lyon production. The stage – a triangular platform free of the usual proscenium constrictions – was dominated by a pair of expressionist panels, decorated with three Chinese riddle-motifs and flanked by a sloping rubbish-dump of masks and theatrical accessories. The costumes ran the gamut from oriental black head-dresses to ceremonial morning suits, while Calaf and Turandot looked as if they had dropped in from a 1950s film set. The performance began with an enigmatic (and unnecessarily long-winded mime, Altoum appeared in a wheelchair, the male chorus periodically swarmed onto the stage from trap-doors and the ending was pure Hollywood.

However you describe it – comic anarchy, an operatic Theatre of the Absurd – the approach somehow made dramatic sense. Akina, a Hawaian who directs the Berlin Chamber Opera, gave a sharp focus to the key confrontations and drew strongly-characterised performances from everyone on stage.

After briefly doubling as Queen Mother of Samarkand in the opening scene, Karen Huffstodt portrayed Turandot as a fiery, glamorous red-head, singing with ample, steady tone. The elegant young Swedish tenor, Stefan Dahlberg, gave an equally fearless performance as Calaf. In the bass role of Emperor Altoum, Franz Hawlata delivered a brilliant cameo and sang beautifully. Hélène Perraguin was a rather pale Adelma, and Bruce Brewer no longer has the voice for Truffaldino. The choral and orchestral contributions were beyond criticism: Kent Nagano deserves credit above all for capturing the exotic, energetic exhilaration of this chameleon-like score.

*

The new production of *Benvenuto Cellini* at Geneva's Grand Théâtre will not go down as one of the highlights of the season, but it was a courageous stab at an impossible work. The challenge of Berlioz's rarely-staged first opera lies in bridging the chasm between its intimate opéra-comique origins and its exalted ambition. The only unifying element is the music, a reckless fireball of invention which demands virtuosity and flouts convention. Thanks to an electrifying performance by the Orchestre de la Suisse Romande under the eminent Berliozian John Nelson, the originality of the score could be properly appreciated – its romantic colouring, its impatient energy, its dazzling profusion of rhythm and cross-rhythm.

But the problems of dramatic structure and proportion remain, as Francesca Zambello's production illustrated all too clearly. Her solution was to explore a vein of comic satire running through the work, bathing it in the visual atmosphere of renaissance Rome. It would certainly be hard to imagine a wittier *Cellini*. The stage was framed in the theatrical parentheses of commedia dell'arte, with a group of mimes discreetly oiling the wheels of the plot. John Macfarlane's designs, imaginatively lit by Davy Cunningham, included an ingenious trompe-l'oeil room of cloth walls and flaps for the opening scenes, the farcical overtones of which were exploited to the full. There was also a delicious air of mock seriousness about the papal visitation in the final act.

What the staging lacked was convincing spectacle. The carnival, acted out beneath a series of tall wooden gate-frames, was feebly animated and unimpressively sung by the Geneva chorus. The final forging scene huffed and puffed, but looked artificial. In the end, Zambello failed to resolve the work's split personality – a Falstaffian love story belatedly recast as a parable of heroic artistic struggle. It was hard to treat Cellini's final burst of creativity as anything more than a joke.

The title role was elegantly sung by Chris Merritt, whose bright timbre and high vocal extension brought out the music's Italianate charm. He is rare among his tenor colleagues in never seeking to hog the limelight. But his tubby, somewhat camp stage appearance robbed him of the romantic guise necessary for the part. As Teresa, the Australian soprano Deborah Riedel made a strong impression, singing with clear, expressive tone and acting with a discreet twinkle in her eye. As the crusty old bureaucrat Balducci and the hapless suitor Fieramosca, Jean-Philippe Courtis and Jeffrey Black very nearly stole the show with their superbly-realised comic double-act.

David Byrne

RONNIE SCOTT'S

A solo appearance before an invited audience armed only with acoustic guitar and a clutch of backing tracks brought David Byrne to London for the first time since Talking Heads were officially consigned to the annals of rock. His early-evening session at Ronnie Scott's on Tuesday was convened nominally to display the wares on his new solo album *Uh-Oh* (Sire), yet seemed just as much a declaration of Byrne's independence now as a performer as well as a song writer. There was the statutory scattering of new tracks, but also some fond backward glances to Talking Heads and a clutch of cover versions.

It was an absorbing, delightfully low-key affair. There is nothing contrived about Byrne's platform manner these days; the big suits and the stylised gestures of the Heads' concerts really have gone for ever. The presentation between the songs was minimal and almost apologetic, though in performance the vocal role-playing and vehement attack are still summoned at will.

The new material harks back to the sounds and melodic shapes of late Talking Heads – to the multilayerings of *Naked* especially – though the synthesisers are now mixed with the brassy salsa rhythms of Byrne's Brazilian expeditions. The best of the songs seem as strong as anything he's written for a decade, and he has retained the knack of capping a routine song with a naggingly insidious chorus. Pared down for the concert, one could relish the words more vividly than on the album – in the ironic paean to transsexualism "Now I'm your Mom", the distinctly menacing "Walk in the Dark", or the most Heads-like of all, "Tiny Town". Byrne, one suspects, is a better guitar than he or anyone gives him credit for, and one rarely missed the intricate arrangements that cocoon the recorded versions.

Nostalgia aside, the Talking Heads numbers were the least successful part of the show, save for a robust "Road to Nowhere"; perhaps Byrne has yet to rekindle his enthusiasm for all that history. The covers, though, were a delightful surprise – numbers borrowed from Wire and the Texas Tornados (their discomfitingly witty "Who were you thinkin' of?") and, of all people, Neil Young: a really sharp version of "Rocking in the Free World" wound things up. It certainly provided food for thought. Perhaps Young will now return the compliment and give his version of "Psycho Killer", which really would keep us all awake at night.

Andrew Clements

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Two new ballets – one by Britain's senior choreographer, the other by an up-and-coming young talent – will be premiered in London later this month. On March 19, the Royal Ballet at Covent Garden will unveil Kenneth MacMillan's new work, The Judas Tree, as part of a mixed bill with two Balanchine works. As principal choreographer of the Royal Ballet, MacMillan has shown himself to be just as much at ease with plotless ballets as with full-length narrative works.

The music for this new ballet has been commissioned from Brian Elias, whose Five Songs to Poems by Irina Ratushinskaya was performed at the 1991 Henry Wood Proms. The designer of The Judas Tree is Jock McFadyen, and the dancers will be Irek Mukhamedov, Viviana Durante and Robert Hill. There will be an initial run of six performances till March 28 (071-240 1066).

Two evenings before the premiere of The Judas Tree, the Birmingham Royal Ballet opens a two-week London season at Sadler's Wells. They will bring Peter Wright's production of Giselle, together with three mixed bills, including Cranko's Card Game and MacMillan's Elite Syncopations.

On March 24 (also 25, 26), the company gives the world premiere of a new ballet by Oliver Hindle, who has been with BRB since 1987 and made a successful debut as choreographer last year with Sacred Symphony (071-278 8916).

New York City Ballet will present a week of new ballets, entitled the Diamond Project (May 27 to 31), during its spring season, which is scheduled to run from April 22 to June 28. Among the choreographers taking part in this inaugural season of the Diamond Project are the company's master-in-chief Peter Martins, Bart Cook, William Forsythe, Robert LaFosse, Miriam Mahdaviani and Richard Tanner (870 5690).

Before the NYCB season, Béjart Ballet Lausanne visits the New York State Theater for a week of performances from March 25 to 29. Also in the US, American Ballet Theatre will add Ashton's Symphonic Variations to their repertoire during their season at Chicago's Civic Opera House from March 17 to 29.

The company then moves to Washington's Kennedy Center for the week from March 31 to April 5 (467 4600).

■ EXHIBITIONS GUIDE

BARCELONA

Museu Picasso Picasso: Rose Period 1905-1906, noted for Picasso paintings of harlequins, jesters, acrobats and other circus entertainers. Ends April 19. Closed Mon

Fundacio Joan Miro Art Works: postwar paintings from the Peter Stuyvesant Foundation. Ends March 22. Closed Mon

Fundacio la Caixa Modest Urgell (1839-1919): pre-Symbolist Catalan artist. Ends April 5. Closed Mon

BERLIN

Altes Museum Degenerate Art: 100 examples of avant-garde German art in the 1930s which fell foul of the Nazis. This is the first European showing of an acclaimed exhibition originally mounted by the Los Angeles County Museum. Ends May 31. Also German Expressionists: 120 watercolours and drawings by members of the Brücke, the Blaue Reiter, Kokoschka and others. Ends May 3. Closed Mon

Museum für Moderne Kunst Correspondences: an exhibition showing the differences and similarities of style and outlook of 12 artists from Florence and Berlin. Ends April 20. Daily

Martin-Gropius-Bau The Jewish World: a major survey of Jewish lifestyle, culture and history around the world. Ends April 26. Daily

BRUSSELS

Musée d'Ixelles Turner's Rivers of Europe: the Rhine, Meuse and Mosel. An exhibition, originating from London's Tate Gallery, focusing on Turner's tours to the Low Countries in 1817, the 1820s and 1830s, and including many little known watercolours. Oil paintings, sketchbooks and colour studies are included, newly identified and dated by Cecilia Powell. Ends April 30. Closed Mon (71 rue Jean Van Volsem, tel 511 9084)

FERRARA

Palazzo dei Diamanti Claude Monet: 30 paintings from Monet's house at Giverny, lent by the Marmottan Museum in Paris. The exhibition includes works given to Monet by friends such as Delacroix, Pissarro, Manet, Boudin and Berthe Morisot. Ends May 15

LONDON

Barbican Van Gogh in England: the exhibition focuses on the years 1873 to 1876, and examines the impact of Van Gogh's stay in England on his later drawings and paintings. Ends May 4. Daily

Tate Gallery Brice Marden (b New York 1938), leading contemporary painter-engraver. Ends June 21. Also Turner: watercolours and drawings 1830-1840. Ends May 10. Daily

Hayward Gallery Doubletake: 23 contemporary artists explore the theme of collective memory. Ends April 20. Daily

Institute of Contemporary Arts Ian Hamilton Finlay. Ends April 5. Daily

National Gallery Raphael's Madonna with the Pinks: first public display of a painting probably made in 1508. Ends March 29. Daily

Royal Academy of Arts Andrea Mantegna. Ends April 5. Daily (Tickets can be booked in advance on 071-287 9579)

NAPLES

Castel Sant'Elmo and Certosa di San Martino Jusepe de Ribera (1591-1652): major retrospective of one of the finest baroque painters, who left his native Spain aged 19 for a lucrative career in the service of the Spanish viceroys and church authorities in Naples. Among the 150 paintings and drawings are masterpieces from the Metropolitan in New York, the Prado, the Hermitage and Louvre. Local works include paintings done specially for the church of the Certosa di San Martino, newly restored for the occasion. Ends May 17. Daily (09.00-20.00 Mon-Sat, 09.00-13.00 Sun)

NEW YORK

Brooklyn Museum Arman (b1928): 70 works by the French-American avant-garde artist. Ends April 26. Closed Mon and Tues

Metropolitan Museum of Art Barbizon: six masters of the French 19th century school of naturalist landscape. Ends May 3. Closed Mon

Museum of Modern Art Allegories of Modernism: contemporary American and European drawings. Ends May 5. Also the William S Paley Collection: works by Cézanne, Gauguin, Degas, Picasso, Matisse and others. Ends April 7. Closed Wed

PARIS

Grand Palais Toulouse-Lautrec. Ends June 1. Closed Tues, late opening Wed. Tickets can be booked by phone on 4804 3886 and by fax on 4274 3069 (ave du General Eisenhower, metro Champs-Elysées, Clemenceau)

Musée des Antiquités nationales The Stuart Court at Saint Germain en Laye at the time of Louis XIV: paintings dating from the French exile of James II and the Old Pretender. Ends April 27. Closed Tues (Château de St Germain en Laye, more information on 3451 5365)

Fondation Mona Bismarck Masters of the Goodwood Collection: mainly 18th paintings and objets d'art, including works by Van Dyck, Reynolds, Stubbs and Canaletto Ends March 22. Closed Sun (34 ave de New York)

Galerie Odermatt-Cazeau Germaine Richier (1902-1959): spindly figures by the sculptress whose style resembles Giacometti. Ends April 18. Closed Sun

Musée des arts decoratifs René Lalique: art nouveau goldsmith and artist in glass. Ends April 5. Closed Tues (107 rue de Rivoli)

Musée des arts decoratifs (Palais du Louvre) Dubuffet. Ends March 29. Closed Mon and Tues (pavillon de Marsan, 107 rue de Rivoli)

Musée des Arts de la Mode Elegance and Fashion in 18th century France. Ends March 31. Closed Mon and Tues (107 rue de Rivoli)

ROME

Palazzo degli Esposizioni Invisibilia: an unusual exhibition of objects taken from the bowels of Roman museums and historic villas, normally hidden from public view. It includes some beautiful pieces of Roman art, mainly from the Capitoline museums (450 of their 60,000 objects are on show), musical instruments from the museum which has space to display only 840 of its 2,500 instruments at any one time, and exquisite 17th century Murano glasswork from the Museo Artistico Industriale, which has been closed for the last 30 years. Guided tours to collections of difficult access are being offered until April 22, bookable at this exhibition. Ends April 12

St Peter's (Braccio di Carlo Magno) The Work of Man: from Goya to Kandinsky. Organised by the Biblioteca Apostolica Vaticana to mark the centenary of Leo XIII's encyclical Rerum Novarum, the exhibition offers 100 paintings, mainly from the 1850s up to the Second World War, describing the impact of the industrial revolution on society and the new kinds of poverty it produced. Some splendid works, including Pissarro's Boulevard Montmartre and Picasso's Factory at Horta de Ebro from the Hermitage, as well as a large group of shamelessly sentimental paintings from the 1890s. Ends April 26

Palazzo Ente-Eur Inca Peru: Rites, Magic and Mystery. 350 objects from museums in Peru, US and Europe dating from 1500 BC up to the Spanish conquest. Ends April 12

STOCKHOLM

Nationalmuseum Carl Larsson: bicentenary tribute to one of the leading figures in 19th century Swedish art. Ends May 10. Also the Empire Style in Sweden: early 19th century paintings, bronzes and interiors. Ends March 29. Closed Mon

Moderna Museet Lee Jaffe (b1950): 20 objects by the multi-media artist from the Bronx. Ends March 29. Closed Mon

WASHINGTON

National Museum of American Art Between Home and Heaven: contemporary American landscape photography. More than 100 works using traditional and experimental techniques to reconsider Americans' relationship to their natural landscape. Ends June 28. Daily

National Gallery of Art John Singer Sargent's El Jaleo: this early masterpiece (1882) is shown alongside related paintings and drawings, tracing Sargent's evolution of the Spanish dance theme. Ends July 5. Also Gerard David's St Anne Altarpiece Ends May 10 Daily

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Mr Kohl goes to Washington

WHEN HELMUT Kohl goes to Washington in a couple of weeks, he will do so as leader of Europe's most powerful country, as chairman of the Group of Seven leading industrial countries and, not least, as a politician who is not facing an imminent election. These assets will not make him more popular with his hosts. They will merely make them more demanding.

Leading Washington columnists are now writing of Mr Kohl's country as "economic enemy number 1", along with France. Mr Jürgen Möllemann, his economics minister, can readily tell Mr Kohl why. Many Americans believe that he has failed to deliver on promises of support for the Uruguay Round given at G7 summits. They complain that he places German farmers, his own obdurate farm minister, Mr Ignaz Kiechle, and, not least, his friend, the beleaguered François Mitterrand, above both his promises and his country's wider economic interests. Nobody expects constructive contributions from Mr Mitterrand's France; but they expect more from Mr Kohl's Germany.

If Mr Arthur Dunkel, the Gatt's director general, expected the Draft Final Act of the Uruguay Round proposed last December to bring about completion of the round by Easter, it now seems he will be disappointed. The complex negotiations over market access in manufactures, in agriculture and in services have many hurdles to jump. More important, matters of fundamental principle – largely in agriculture – need to be resolved. Like many before, the Easter deadline looks like being passed.

US protectionists

Some will ask whether this matters. The end of the Uruguay Round may, like the Italy sought by Virgil's hero Aeneas, disappear into the distance. Yet the world goes on. The American administration may even prefer not to put the final results to Congress before the election. Protectionists may not have swept the board in the presidential primaries, but congressmen will still stand up for local interests. So why not negotiate for a while longer?

With the round bound to be caught up in the American election campaign, with frictions certain to grow in many areas of trade, the Uruguay round already looks a poor bet. The longer it continues the worse becomes the bet. A never-ending negotiation now looks as likely a fate for the Uruguay Round as eventual success. But breakdown looks more likely than either.

Agricultural concessions

What makes delay so depressing is that an agreement no longer seems impossible, even in agriculture. But the alternative notion, that agriculture can be put to one side, should be forgotten. Too many countries regard agricultural liberalisation as the main benefit of the round. They will not accept deals elsewhere without concessions on agriculture.

At present, the ball is in the European Community's court. It is no use for the EC to complain about the grandiose American demands for complete liberalisation. These disappeared as soon as the EC came up with an offer, in the autumn of 1990. The problem now is that EC says it wants changes in the text presented by Mr Dunkel. But the EC has been unable to agree on the changes it wants.

The failure to make these demands reflects the EC's stalemate over reform of the common agricultural policy. The obstacle, as always, is the farm ministers. It is ludicrous that the EC's position on a matter which vitally affects its own future and its relations with the rest of the world should be decided by agricultural backwoodsmen. What is needed, instead, is involvement by EC heads of government.

Since another failure would damage both Mr Bush's domestic credibility and American attitudes to its main trading partners, a G7 summit would be too risky. The first step is, in any case, an EC agreement on the linked issues of CAP reform and the Uruguay Round. When Mr Kohl goes to Washington he should be able to tell his hosts that not only has a meeting of EC heads of government been called, but that he will put his formidable weight behind the outcome his hosts want and the world needs.

Pie in the sky in Rio

IT WILL be a miracle equivalent to the saving of Noah from the Great Flood if this summer's Earth Summit in Rio de Janeiro achieves its organisers' aims. The enormous gathering of politicians, officials and green campaigners must overcome two severe handicaps. It is being hijacked by the Third World, and it lacks the full support of the United States. This is not to say that its timing is wrong. In theory, it should reflect both the rise in popular concern about the environment and the huge re-ordering of political priorities that has followed the ending of the Cold War. As such, it represents an opportunity to identify some of the most pressing issues facing the world.

Yet the final preparatory meetings now taking place in New York are not encouraging. As matters stand, this much-trumpeted event will do little more than add to the hot air which is already generating so many worries about the world's climate. The coming weeks will need some rigorous work by the organisers if Rio is to produce results.

This is partly due to the enthusiasm with which the summit's backers have thrown themselves into the task. Just about every issue from the ozone layer to the ocean depths has been put on the summit agenda; as a result, the plan of action that participants will be asked to sign runs to many hundreds of pages. The amount of cash being demanded to support these voluminous proposals – over $100bn a year – is totally unrealistic.

North-South balance

It is easy to see where the money would go. The preparatory work has been increasingly dominated, not by environmental questions, but by the problems of the poorer countries: their backwardness, the inequalities of the North-South balance, the barriers to development. These are legitimate issues, since poverty is as much a source of pollution as industrialisation.

But the Summit must not permit itself to be waylaid into treating the troubles of the developing world as if they were central to the world's environmental problems. The purpose of the gathering is to lay the groundwork for sustainable growth – that is, to permit the world economy to advance without ruining the environment. These are, at present, matters for the industrialised nations whose wasteful habits have caused the greatest damage. The richer countries are central to the debate. They may be obliged to pay off poorer countries faced with heavy clean-growth costs, although not to the extent of $100bn. They must show by example that environmental good practice need not inhibit economic development.

Narrower focus

The Summit would stand a better chance of succeeding if it narrowed its focus to a few important issues, and used the spotlight of Rio to bring pressure for action in those areas. For example, it could attempt to break the deadlock among industrial countries over energy policy. At the moment, no single country wants to introduce tough fiscal or regulatory curbs on its own. The US is the most reluctant, on any terms. Its presidential campaigners might respond to its environmental movement in this election year.

Another practical aim would be to devise a more sensible global regime for trade in agricultural goods. The absurd subsidies which cause widespread overfarming but also prevent poorer nations from exporting their produce have a profoundly damaging effect on the natural environment. The Summit could give a fresh impetus to the issues that have become deadlocked in the Gatt.

A third goal might be to create a clearing house for environment-friendly technology. If Third World aid is to be an aspect of the Summit, the richer nations might consider additional ways by which this technology could be transferred to the less well off.

The Summit will fail if it does not adopt a businesslike approach to matters which are all too often coloured by emotion allied to special interests. The future of the planet is a serious matter. It requires a serious international forum where the right priorities can be established.

BUDGET '92

Tory hopes hinge on next week's Budget, writes **Peter Norman**

Dragons still to slay

Next Tuesday is make or break day for Mr Norman Lamont. Rarely has so much been riding on a parliamentary occasion as on the chancellor's second Budget on March 10.

Barring an unexpected and surely self-destructive last-minute attack of the dithers by Mr John Major, the prime minister, Mr Lamont's speech will effectively launch the campaign for the general election that is expected on April 9. The Budget itself will become part of the Conservative manifesto and so compete for electoral support with rival budgets from Labour and the Liberal Democrats. Besides salvaging the battered political fortunes of the chancellor and his party, it must also offer a credible prospect of lifting the UK out of the longest recession since the second world war.

Given the bleak economic background, Mr Lamont has fared moderately well through a notably porous pre-Budget purdah. He and other Treasury ministers have joined in the party rough-and-tumble while coyly ducking questions relating to the Budget. Meanwhile, the pre-election campaign has allowed speculation to run riot about what the chancellor might or might not do on the big day, conveniently anaesthetising the reservations of financial markets.

It would have been a brave soul who forecast a tax "give-away" of £2bn when the chancellor began his Budget planning just two months ago. Now talk of a fiscal boost of between £3bn and £4bn is commonplace, and even considered cautious by some. After speculation that the Budget deficit or Public Sector Borrowing Requirement (PSBR) could soar from about £12bn this year to £30bn in 1992-93 – some 5 per cent of gross domestic product – it is likely that anything between £24bn and £26bn will leave the markets unfazed.

But while the chancellor's financial room for manoeuvre has grown, he probably has less scope for action politically. The Labour party's charge that he is planning to "borrow to bribe" voters appears to have struck a chord with the electorate and won back some of the ground lost by Labour to the Conservatives in January when Mr Lamont launched an attack on Labour's plans to tax higher income earners. It can have been no comfort to the chancellor and his advisers that a Thatcherite rump, centred on Mr Cecil Parkinson, the former Tory party chairman, and the monetarist economists Sir Alan Walters and Professor Patrick Minford, has also castigated the idea of borrowing more to finance tax cuts.

So Mr Lamont will have a lot of dragons to slay when he delivers his speech. His cabinet colleagues will be expecting what one minister this week called a "Budget for victory". The chancellor's appeal to the voters must manage to draw the sting of Labour's own shadow budget, which is due for publication the following week, and quell the anxieties of Thatcherites and Tory monetarists. It must also satisfy financial markets, and offer them a convincing intellectual justification for next year's sharply increased PSBR and high borrowing in later years, if, as expected, the government's previous goal of balancing the Budget over the economic cycle no longer is sustainable.

Britain's membership of the European exchange rate mechanism and the convergence rules attached to the Maastricht Treaty on Economic and Monetary Union have greatly eased Mr Lamont's task in making his financial judgment for the Budget.

The constraints imposed on interest rate reductions by the ERM and Germany's tight counter-inflationary monetary policy have been matched by a growing tolerance of fiscal activism in financial markets. As a result, PSBR projections that would have shocked the City when sterling was a free-floating currency have left the market for government gilt-edged securities largely unruffled and protected the pound from speculative assault through the pre-Budget period.

However, the chancellor will be aware that markets are fickle. Although he may be *able to drop or fudge the government's* balanced budget commitment, the City will be anxious that he does not erode the government's revenue base in future years. Drawing the line between and profligacy and prudence will still require careful judgment.

In his assessment of the economy, he must decide whether his Budget can continue to be based on expectations of economic recovery – albeit delayed – or whether Britain is facing something more serious than a cyclical recession, such as a depression triggered by the accumulation of debt in the 1980s. He knows that the Budget will come too late to have any direct effect on the economy by election day. But his speech must offer a plausible path out of the recession.

Although Mr Lamont was mistaken a year ago in believing that the economy would pick up from mid-1991, there is nothing to suggest he has revised his belief that the ingredients of recovery are in place. Indeed, lower bank base rates and a sharp 8.6 per cent jump in general government expenditure planned for 1992-93 mean that the government's policy stance has eased substantially since Mr Lamont's first Budget. Recovery now lies largely in the hands of the consumer, who, if in work, is benefiting from low inflation, modest real wage increases and falling mortgage rates.

Of more immediate importance will be the Budget's political judgment. That will determine whether Mr Lamont will enjoy a niche in history and an honourable place in the Conservative pantheon or be blamed for defeat at the polls.

With the Budget set to become part of the Conservative election manifesto, he must choose whether to emphasise the differences between Conservative and Labour economic policies or appeal to as broad a cross-section of voters as possible.

The mood of the electorate is a problem. Neither the Tory campaign against Labour's tax plans nor the flood of news stories pointing to income tax cuts in the Budget appear to have caused any great enthusiasm for tax give-aways.

A Mori poll in last week's Sunday Times found that 69 per cent of the electorate would prefer Mr Lamont to spend more on public services against only 26 per cent who wanted tax cuts. When asked which tax cuts people would prefer, an overwhelming 72 per cent favoured what would be a humiliating reversal of last year's increase in VAT to 17.5 per cent from 15 per cent. Nearly 60 per cent backed a big increase in tax-free allowances rather than a cut in the basic rate of income tax from 25 per cent.

On the other hand, the Conservatives suffered no electoral damage from lowering the burden of income tax in their two previous pre-election Budgets in 1983 and 1987. The obvious conclusion is that electors are more altruistic when talking to opinion pollsters than when filling in their ballot papers.

Taken together, the financial, economic and political background to the Budget points to a balanced package of tax cuts rather than a radical Budget that could offend as much as it might please. Although Mr Lamont is a more unpredictable politician than his downbeat public image might suggest, the record of his chancellorship and his own instincts and convictions will tell against any package that is overtly risky.

These factors and fears of eroding the tax base would count against anything as radical as two pence off the basic income tax rate or permanent increases in depreciation allowances to boost investment.

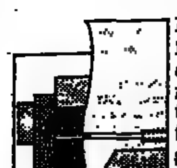
The motor industry has some claim on the chancellor's generosity because last year's Budget extended employers' national insurance contributions to company cars with effect from July this year, in a move that will boost government revenues by £550m in 1992-93. But one penny in the pound off the basic rate of income tax, some increase in income tax allowances by more than the statutory 4.5 per cent indexation, and temporary help for businesses, most probably through easing the burden of the uniform business rate, look the most likely give-aways, offset in part through higher excise duties on alcohol and tobacco.

In this health-conscious age, the government can probably escape serious electoral damage from a Budget day assault on beer and tobacco. And Mr Lamont is sure to have other fiscal lollipops up his sleeve. One strongly tipped possibility is a *national lottery*. Another may be help for Britain's hard-pressed film industry, which, if nothing else, would give the chancellor some flattering photo-calls between Budget and election days.

PERSONAL VIEW

The wrong type of relief

By Judith Freedman



Extending tax relief for childcare must be a real temptation to the beleaguered chancellor.

The logic seems obvious. A shortage of labour and skills is predicted, despite the recession. Many women with young children wish and/or need to engage in paid work, but have difficulty in obtaining good, affordable childcare. Childcare costs must be paid out of taxed income with the added affront that tax and national insurance must also be paid by the carer. Where enlightened employers provide childcare it is taxed as a benefit in kind in the hands of the employee, unless it falls within the restrictive conditions applying to workplace nursery relief. All considerations seem to point towards an extended relief.

The politically correct view follows this "logic". Its proponents are vociferous and influential. A recent Gallup poll showed that 81 per cent of voters favour tax relief for childcare. Yet the logic is spurious and the concentration of effort on the case for tax relief a distraction from issues of low pay for women and inadequate public provision for children.

Extension of the existing anomalous relief would produce further anomalies. Wherever the chancellor drew the line, he would be accused of *being unfair*. *Confining relief* to employer-provided or assisted care, administratively the most practical approach, would raise a clamour from the self-employed and those not receiving assistance from employers. Extension of relief to all childcare costs would be greeted by calls from other equally deserving carers, such as those caring for elderly parents. Unpaid mothers caring for their own children would also claim their due.

What of the grounds for tax-deductible childcare? First, equity. A parent with responsibility for a child incurs a necessary expense on childcare, which must be paid before any profit is made from earnings. This expense should be deductible, it is argued, like other costs of earning.

However, many essential expenditures are not deductible, travel and clothing being prime examples. This is not just some quirk of the tax system. The legislative requirement that deductible expenditure must be incurred wholly and exclusively in connection with work done contains claims in a practical way.

Instead of a free-for-all, with each taxpayer claiming as much as he can get away with, we have a system of personal allowances that helps every taxpayer to meet this type of expenditure. A system without limits on deductibility of expenditures would benefit the extravagant more than the frugal; the wealthy more than the poor. Similarly, full tax deductibility for childcare would favour those using the most expensive type of carer, though more than two thirds of employed parents of pre-school children rely on relatives. Nannies would still be totally out of reach for many.

For these reasons, any general childcare deduction would have to be capped. This would, in fact, be the first step to a standard deduction for all parents. At present, parents without earned income cannot use their non-transferable personal allowances, unless they have investments. On the other hand, the benefits of their unpaid labour are not taxed. The current system is, therefore, probably as fiscally neutral as possible. To introduce tax relief for childcare expenditure, without assistance for parents at home, would upset this balance. A much better way than a standard deduction for all parents is to increase child benefit, which has the added advantage of being of value to non-taxpayers.

This solution makes no concession to those who argue that the tax system should provide a work incentive, but they are on sticky ground. If the demographic predictions are correct, fiscal incentives should be unnecessary. Employers will need women in the workforce and will have to pay them accordingly. Tax subsidies for childcare will only undermine market pressures. Assistance for women in the workforce would be far better directed at training and other specific areas of need, rather than being spread across all working mothers, many of whom would return to work in any event.

Finally, there is the question of supply of childcare, which is the strongest argument for workplace nursery relief. But the history of this relief shows that supply issues cannot be kept separate from questions of equity. It is not possible to ring-fence a relief for employer-assisted childcare and expect this fence to hold up against the inevitable pressures from those excluded. If provision of childcare is the objective, there are more direct and less inequitable ways of achieving this.

Extending tax relief for childcare could win Lamont short-term acclaim; temptation, indeed, just now. But if he believes he will be around to deal with the consequences, he should think hard before he goes any farther down this road.

The author is a senior research fellow at the Institute of Advanced Legal Studies

Sterling characters

■ The fact that central bankers rarely appear in the real world does not mean they can't be just as bitchy as the rest of us. Any reader who doubts it need only peruse the 800-plus pages of John Fforde's up-date of the Bank of England's official history.

True, it covers only the 17 years to 1958 and concentrates on the Bank's role in policy-making. But astute use of the index, concentrating on "character and abilities", throws up some gems.

Take Sir George Bolton who went on to be chairman of the Bank of London and South America. "Although he was a fount of imaginative ideas on all questions within – or indeed without – his parish, Bolton's judgment was at times erratic and over-influenced by his personal opinions," writes Fforde who, like Bolton, is a former Bank executive director.

Then there was chief cashier Percy Beale who was "widely considered arrogant" and packed off to India because he was never going to make it onto the Court. Lucius Thompson-McCausland, a long-standing economic adviser nick-named Lucifer, liked nothing better than constructing ingenious schemes using variables such as "flabby" and "taut" money.

Even Roy Bridge, the Bank's famous foreign-exchange dealer, is mentioned in dispatches for the "almost clinical interest in good food and wine" which he picked up on his frequent foreign trips defending the pound.

But perhaps the most poignant note refers to the farewell dinner for Montagu Norman after the Bank was nationalised. Although he had dominated the Bank for 22 years, all that Britain's most famous central banker could think to put in his diary was "Bk. Goodbye dinner."

The only clue to the sadness Norman must have felt was a subsequent conversation he had with Per Jacobsson of the Bank for International Settlements. Asked whether the nationalised Bank of England was still the same place, Norman replied: "They try to pretend it is."

OBSERVER

Expert view

■ The rehabilitation of ex-Guinness boss Ernest Saunders continues apace. The British Institute of Management is the latest to give a helping hand.

Along with 3i chief executive Ewen Macpherson and Barclays Bank deputy chairman Humphrey Norrington, Saunders is billed as among 30 "top managers" due at a BIM seminar on Monday.

Its topic is business ethics, and he is apparently going as a guest of the Legal Protection Group.

Niefarious?

■ The 64-year-old boss of Daimler-Benz Edzard Reuter may be staying another two years beyond his official retirement date, but it is all change at vehicle subsidiary Mercedes-Benz.

With Reuter around until end-1995, one person ruled out as his successor is the combative Werner Niefer, Reuter's deputy and head of Mercedes-Benz. Now with an honorary professorship and two honorary doctorates under his belt, Niefer began his career at Daimler aged 15 as a tool-making apprentice. But he has tripped more recently, not least as the result of an incident in Italy when he injured a German woman tourist whilst at the wheel of a Mercedes bus.

Niefer, 63, goes at normal retirement age next year, making way for the suave

self-confident 55-year-old Helmut Werner, now head of trucks, as his successor and probable Reuter replacement.

Niefer's consolation, it seems, is to pick his successor's senior colleagues. The supervisory board yesterday formally approved Bernd Gottschalk, who at 48 heads the Brazil operation, to replace Werner, and Dieter Zetsche, just 38 and president of Daimler's US truck company Freightliner, to take over as head of car development. Mercedes was strongly hinting that Niefer, "in the interests of continuity", had got the very men he wanted.

Maybe Werner will have to wait to rise one step further for his own wish list.

Telephoney war

■ Des Wilson, election-campaign manager for Britain's Liberal Democrats, was in chipper mood when unveiling yet another electioneering poster even though his party's advertising budget is *only £1.5m or so against* Labour's £8m and the Tories' £20m. The Lib Dems' money will go farther, he claimed, not least because the likes of Conservative chairman Chris Patten travel first-class on the railway whereas Wilson goes economy.

His main worry apparently lies in the ubiquitous mobile telephone. During the 1987 election campaign, he said, politicians of all colours were plagued by journalists who asked questions, then phoned the answers through to fellow hacks elsewhere who promptly put other politicians of the same party on the spot.

Wilson quotes former Liberal MP John Pardoe as saying to a couple of bodyguards in a previous election: "Forget the assassins. Just shoot the next journalist who comes close with a mobile phone."

Expensive ferry

■ Remember what happened to National Home Loans after it took a bunch of analysts on a weekend skiing trip to Austria last year? The share price subsequently underperformed the market by 97 per cent, the chairman and chief executive quit, and the nicest thing one can say about the company currently is that it is "distressed".

Well, it now seems that Trinity International, publisher of the Liverpool Daily Post and Echo, has booked Concorde to ferry another party of "independent" analysts the 225 miles from London to Liverpool so they get to next month's Grand National on time. An embarrassed PR man warns Observer not to jump to conclusions. Trinity is a picture of financial health and Concorde was flying to Liverpool anyway.

Of course.

Back chat

■ If camels with two humps are Bactrians, and those with *one are dromedaries*, what do you call a camel with none?

Humphrey.

The lure of oil's final frontier

Leyla Boulton on prospects for foreign investors in the oilfields of the former Soviet Union

From the Caspian Sea to Sakhalin Island in Russia's far east, western oil companies are eyeing hungrily the world's last oil and gas frontier. Home to an estimated 40 per cent of the world's remaining reserves, the oil and gas fields of the republics of the former Soviet Union, are encouraging a queue of potential foreign investors.

"This is one of the last areas of the world where there are huge quantities of oil and gas to be discovered," says an executive at one oil company.

Foreign industry executives are examining the potential for investment. Mr John Wakeham, the UK energy secretary, today winds up a tour to two former Soviet republics where he led a party of British businessmen eager to pursue deals in the energy sector.

Such western visitors have found a receptive audience. For Russia and three smaller republics – Kazakhstan, Turkmenistan, and Azerbaijan – foreign capital and expertise is vital to develop their oil fields and secure a valuable source of hard currency.

In a typically Soviet paradox, one of Russia's most lucrative industries and its biggest export earner has been run down by decades of under-investment in equipment and by inefficiencies arising from centralised management from Moscow.

The result has been a marked decline in the sector. Crude oil output in Russia, which accounts for 80 per cent of production in the former Soviet Union, is expected to fall to 400m tonnes this year from 450m tonnes in 1991, and 505m tonnes in 1990. Exports projected at 100m tonnes this year will be 50 per cent down on last year's level, and half what they were in 1990.

Having rid itself of ideological barriers to capitalism, Moscow is now taking steps to encourage the investment in the oil industry which is badly needed to arrest its decline. But the rush by western oil companies into the republics has so far yielded only a few big deals – and they are still on paper.

To date, foreign investment in the oil sector is estimated at $200m – a relatively small figure by the standards of the international oil industry. There are only 20 relatively small oil joint ventures registered in the Russian republic, of which only 16 are operating.

Despite the government's efforts, a host of political and legislative obstacles still stand in the way of large-scale investment.

First, there is the intractable problem of the instability gripping Russia and other republics as they endeavour to make the transition to a capitalist economy. The Russian government, which started to implement an ambitious programme of market reforms in January, may yet fall. Any benefits it may grant foreign investors may be removed.

"Before they put vast amounts of money into this country, foreign companies are going to need assurances that the environment is stable enough to justify to their shareholders the investment of billions of dollars," says Mr Byron Ratliff, a Moscow-based oil expert for Price Waterhouse, the management consultancy."

Until the political system is stabilised, the search for high returns and quick paybacks will take precedence over the long-term investments in development that the industry needs. Opportunities provided by the sheer waste of oil – a third is lost through leaky pipes, wasteful refineries, and inefficient factories – means that most investment in the near future will continue to concentrate on small but highly profitable projects. Such projects include replacing pipes and reopening wells which have been closed for lack of spare parts.

Problems of uncertainty extend into the legislative arena. The absence of complete taxation legislation, and of precise rules on production-sharing has contributed to the challenge of doing business in Russia's oil industry.

The law on mineral rights passed last month filled many gaps by setting out basic rules on ownership of resources and the share-out of royalties between federal, regional and local authorities. But the interpretation of these rules will be problematic as long as conflicts remain between federal and local government.

Foreign investment is only part of the solution for the ailing oil industry

The confusion over where real power lies is vividly illustrated by the squabbles surrounding the awarding of a feasibility study into the huge reserves off Sakhalin Island in the Far East. After long delays due to arguments between federal and local authorities, the contract was awarded to a US-Japanese consortium composed of McDermott, the engineering company, Marathon Oil Company and Japan's Mitsui. But after a protest by the island's governor, Mr Valentin Fyodorov, who preferred another consortium, the Russian government's choice has been referred to parliament, which is expected to produce its views next Monday.

The problems arising from disputes about where authority lies apply in many of Russia's oil-rich areas. While Tatarstan, an oil-rich autonomous republic within Russia, plans to hold a referendum on whether to declare independence on March 21, the largest oil-producing region in Russia, Tyumen, does not even pretend to obey Moscow. Local oil barons who run the state-owned enterprises in Tyumen, have boycotted the Russian government's plans to incorporate all producers into a consortium.

But despite the many serious problems, it is already possible for foreign oil companies to clinch substantial deals. Elf-Aquitaine, the French oil group, which last month became the first and only company to sign production-sharing deals – enabling it to develop oil fields without the participation of a local partner – is in many ways a model of success. It appears to have obtained the best of both worlds, as rival companies will privately admit.

Elf plans to spend between $400m-$500m on exploration costs in each of its two deals – based respectively in Kazakhstan's Aktiubinsk area and the Saratov-Volgograd region in Russia. If exploration at these sites goes well over the next few years, Elf plans to invest heavily in production.

"Either you sit back and wait until everything is perfect, or you start playing. We chose not to wait," said the Elf executive in Moscow. "In the absence of legislation, we have been forced to put together a certain number of rules under which we expect to play the game for another 30 years."

It has, for instance, tailored its deals so that the local partners pay all tax bills, whatever they may be in future, from their own share of the profits.

But even if Elf's success is followed by dozens of other deals, foreign investment is only part of the solution for the ailing oil industry of the former Soviet Union. Dr Yevgeny Khartukov, an oil industry analyst who heads the World Energy Analysis and Forecasting Group, a research institute in Moscow, says the industry must also be taken out of state control.

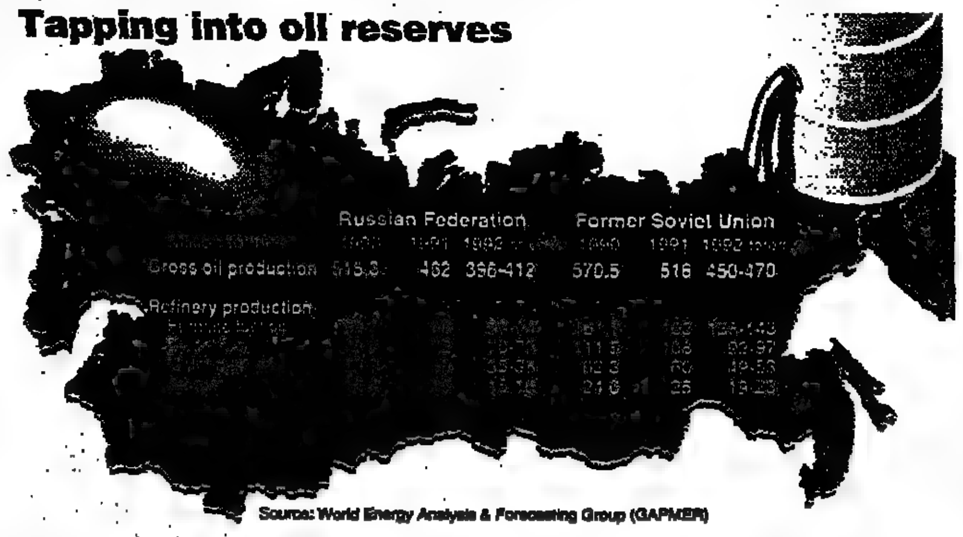
He says a priority is to give managers the freedom to manage, and to train them to operate in a market environment. "They do not understand what foreign partners expect of them. They are pure technocrats, not businessmen."

He also says that workers need better pay and conditions. "After decades of feeling privileged compared to other sectors, the oil workers realise they too are poor. They have no access to the wealth they produce."

To deal with some of the discontent and waste, Mr Yegor Gaidar, Russia's deputy prime minister, proposes to unleash market forces upon the industry. Last week he announced plans to lift price controls on internal oil sales in mid-April. Faced with a strike threat, the government last month allowed oil enterprises to sell 40 per cent of the oil they produce on the country's fledgling free market. After halting spontaneous privatisation – whereby oil managers simply took over state assets for themselves – the government is now promising orderly, privatisation to create independent oil companies.

Reform will take time but is unlikely to be reversed. Even if the current government falls, the incentives for its successors to protect foreign investment will remain strong. As for the internal squabbles over control of resources, these may diminish over time as lines of authority become more clearly defined and as oil industry assets are moved out of state hands.

Tapping into oil reserves



Source: World Energy Analysis & Forecasting Group (GAPMER)

Joe Rogaly

King Kong antics

British politicians like their parliaments supine. One party supplies a prime minister, he or she chooses a cabinet and off they go. They nationalise, privatise, introduce a poll tax, take it back, reshape education, health and the social services, and reshape them again, muddle, cancel, restore, cut, spend, bribe and never forget to work away at the fulfilment of the Treasury's purpose, which is to run the economy into the ground at regular intervals. This is called "strong government". King Kong is strong; the great ape should be draped around Big Ben.

The game may change on April 10. The House of Commons could come to life. For that to happen, no party must have an overall majority. Most of this year's polls suggest that that would be the outcome of an April 9 election. Custom calls this a "hung parliament" but, in truth, it would be a live parliament. It is hung if you can only conceive of the imposition of the will of one party. It is live if you regard coalition government as the norm. It is hung if you are Anglo-Saxon; live if you are continental.

Yet I place no great hopes on this impending return of the living dead. Most British politicians cannot think other than in terms of one-party rule. At a symposium at the London School of Economics on Wednesday, Mr Vernon Bogdanor reminded us that the four hung parliaments of this century – 1924, 1929-31, 1974, and 1976-79 – produced minority Labour administrations dependent on Liberal support. Their performances ranged from the ineffective to the disastrous. Labour used the Liberals as a convenience.

The long-term objective of the Liberal Democrats, putative partners for 1992, is the destruction of the Labour party so that they may replace it. Mr Paddy Ashdown's troops will therefore be lucky if they are invited to support Labour.

At Wednesday's symposium, which was organised by the tactical voting campaign, Common Voice, Professor Ivor Crewe sketched six possible outcomes to the next election. Half make the Tories the largest party, the other half give the edge to Labour. In Outcome I the Tories have 315 seats, just 11 short of the 326 they need. They can try a deal with either the Liberal Democrats (20 seats assumed in this model), or the Ulster Unionists (13 seats), or they can rule without any of them, on the assumption that the six smaller parties will not have a common interest in uniting to overthrow the Conservatives. In reality, a Tory deal with the Liberal Democrats, following the loss of the Tory majority, would be too cynical even for politicians desperate to cling to power, while the Unionists are unpredictable. So the Tories might govern alone until they saw a chance to win a second election.

By Outcome III, the Conservatives are down to 303 seats. To thump their chests atop Big Ben they need the support of at least *two* other parties (Liberal Democrats plus Ulster Unionists, or plus Scottish Nationalists, or plus Welsh Nationalists). Forget it. Fractions of percentage points separate the contestants in all of these scenarios. Calculations IV-VI result in a similar variety of choices for a Labour party with the largest number of seats. In every one save I and, just possibly, II (Tories 309), Mr Neil Kinnock becomes prime minister.

I place no great hopes in the impending return of the living dead

Some proponents of constitutional reform place hope in that. Labour is dangling the promise of a Scottish assembly, regional assemblies, and a senate to replace the House of Lords. All would be elected on some form of proportional representation. Labour campaigners for PR believe that the party will be converted to electoral reform for the Commons at the party conference in October. If so, the Liberal Democrats would by then differ from Labour only in that they are not tied to the unions and, in consequence, are more robust in their appreciation of market principles.

A Labour-Alliance coalition in 1983 or 1987 would have betrayed the principles of both parties; Labour was at the time unilateralist, socialist, and anti-Europe. It is now none of those things. Since Mr Kinnock's party has moved nine-tenths Alliance-wards, it could claim that a coalition between its MPs representing, say, 40 per cent of the vote and the Liberal Democrats' representation of, say, 20 per cent would reflect current majority opinion in Britain. Call it 50 per cent plus, since many of today's potential Liberal Democrat voters would abstain or vote Conservative rather than let Labour in.

Mr Ashdown's terms are well-known: coalition, a four-year pact, PR, and the building of the fourth Trident submarine. Labour would not easily be tied into such a deal if its sole purpose was to repeat the experience of 1974, when Mr Harold Wilson used the Liberals to keep him going after the February election until he could get an overall majority in October. You have to be a childish wide-eyed optimist to believe that Mr Kinnock would want anything else.

Yet there are some who believe that he and his colleagues can learn from history. Past Lib-Lab pacts have ended in failure for Labour. The necessary conditions for a successful future understanding are that Labour abandon its dreams of becoming the natural majority party of government, while the Liberal Democrats grasp the point that they cannot hope to destroy Labour. If personal ambitions are a bar to this kind of accommodation, history suggests that it may yet come about.

I first postulated such a "grand alliance" in this space on July 2 1987. Most of its building-blocks, which then seemed out of reach, are now in place. The principal remaining requisite is a conversion of the likely consenting parties to permanent multi-party government. It is more likely to be met in a live parliament with Labour and the Liberal Democrats in opposition than with Labour in power. For in government, Labour might not need to change. Out once more, it would have to.

LETTERS

Eastern Europe: no alternative to shock therapy

From Mr Anders Aslund.

Sir, Michael Prowse lashes out at "shock therapists" in general and me in particular ("The drawbacks of shock therapy", March 2). His arguments are typical of European socialism of times passed.

Rather than looking into the actual situation of the former communist countries, he refers parochially to postwar Europe, failing to see how limited its relevance is. Also, conditions in east Asia were completely different.

The collapse of communism left Poland, Bulgaria and the former Soviet Union in hyperinflation. The only cure known is strict macroeconomic stabilisation, or what Mr Prowse contemptuously calls "shock therapy".

Nor does Mr Prowse realise the extraordinary degradation and corruption of the state administration in the former communist countries. To argue in favour of intrusive state regulations under such conditions is to favour the corrupt. An obvious parallel is the end of feudalism in Europe, which was followed by *laisser faire* in the 1840s, in the absence of a working state administration.

My chief lesson from the Polish experience is that deregulation has not gone far enough. Therefore, red tape and corruption are thriving, blocking economic recovery.

Finally, Mr Prowse accuses me of not having predicted the current big fall in production in Russia. Anyone who knows my writing can witness that I have expected a stark, inevitable fall in Russian industrial production (of some 35 per cent) in connection with the change of system.

While Mr Prowse continues to fight for socialism in the columns of the Financial Times, the Russian government as well as I and my colleagues are concerned with helping the Russian people from the frightful plight of socialism.

Anders Aslund,
professor,
director,
Stockholm Institute of Soviet and East European Economics.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Italian Treasury minister explains position on monetary creation

From Mr Guido Carli.

Sir, In a correspondence from Rome, published in your international edition ("Italian public sector deficit overshoots", February 28), you note that the Italian Treasury "continues to use its overdraft facility with the Bank of Italy, though this credit window is due to be closed", as you discuss at length in a previous article ("Italy's monetary parting of ways", February 19).

As a matter of fact, in the past two years the Treasury has reduced its debt position *vis-à-vis* the Bank of Italy: by L1,383bn in 1990, and L9,404bn in 1991. Thus, the reality of the 1980s – when central bank financing of the budget deficit was, although at a decreasing pace, the major source of money creation – has been reversed in the past two years. As the data in the table indicate, in 1990 the growth of the monetary base was due almost entirely to the balance of payments surplus; in 1991, to open market operations by the central bank. In both years, the Treasury's contribution to the growth rate of base money has been negative.

Of course, this is no excuse for delaying the closing of the credit window. It suggests, however, that at least as far as the direct monetary financing of the Treasury is concerned, Italy has been satisfying the Maastricht criteria for quite some time. We wish we could say the same about the budget figures your article correctly points to.

Guido Carli,
minister of treasury, Rome

Italy: sources of money creation (Lbn)

	1989	1990	1991*
Monetary financing of the Treasury			
Bank of Italy	8,452	-1,383	-9,404
Balance of payments	14,971	15,454	-8,649
Open Market operations by Bank of Italy	-2,106	2,393	26,998
Other	-812	-2,789	2,216
TOTAL	20,505	13,675	11,161

*Preliminary data — Source: Bank of Italy

Soft commissions and conflicts of interest

From Mr Nigel Johnson-Hill.

Sir, Your leader on soft commissions ("Soft on soft commissions", March 3) rightly highlights the potential conflicts of interest that can lead to best execution being compromised when a fund manager is locked into dealing with a specific broker.

The lack of transparency, you state, opens the door to cross-subsidies and inefficiencies in the system.

Your comments should really be applied to the large, integrated securities houses that engage in soft commissions. Yes, best execution is compromised because the fund manager's orders are locked into one market maker, and yes, there is a lack of transparency that leads to cross-subsidising of the loss-making sales arm by the highly profitable market-making arm of the integrated house (a practice which is questionable under current rules).

Therefore your attack on soft commissions would be more accurate if it were directed at the integrated houses rather than at soft commissions as a whole.

As an independent stockbroker offering soft commission arrangements, we are completely free of any conflicts, and as pure agency brokers we always seek the best price for any order, wherever that price may be found.

Furthermore, we provide an essential link in the chain that allows independent research to compete with the apparently endless flood of indifferent research from securities firms.

Please don't tar us, the specialist independent agency brokers, with the same brush as you should be tarring those large integrated houses whose conflicts of interest are giving soft commissions a bad name.

Nigel Johnson-Hill,
managing director,
Hoenig,
5 London Wall Buildings,
Finsbury Circus,
London EC2M 5NT

Measuring the depth of recession

From Mr Nigel Wilkins.

Sir, By arguing that it is premature to suggest that the present recession has been the longest since the Second World War, Andrew Sentance (Letters, February 29) neglects to take account of the fact that the recession is, of course, not yet over.

If we use the definition put forward by Professor Douglas McWilliams (economic adviser to the Confederation of British Industry), that the length of the recession is represented by the period of time taken for the economy to reach its previous peak in output, the 3.9 per cent drop in economic activity since that previous peak will need to be made good by the third quarter of 1993.

However, not even the CBI is forecasting growth on that scale over the next 18 months, and some hefty subsequent revisions in the official data will be needed to reduce the length of the recession to within that experienced in previous post-war recessions.

Nigel Wilkins,
8 Petersham House,
Harrington Road,
London SW7

Lawyer's lucre

From Mr Roger Earl.

Sir, The Observer column which referred to Mr Michael Freeman (February 26) used the expression "he would be leading the crusade when it set off". Those of us who believe in honouring our commitments rather than employing lawyers to find loopholes in the documents in order to avoid doing so, do not believe that "crusade" has anything to do with it. He is doing it for the money!

Roger Earl,
4 Cumberland Road,
Kew, Surrey TW9 3HQ

FINANCIAL TIMES
Friday March 6 1992

Miyazawa shunned by his own party

Stefan Wagstyl in Tokyo on the effect of a premier bedevilled by scandal

THE POPULARITY of Mr Kiichi Miyazawa, the Japanese prime minister, has sunk so low that officials running an important by-election campaign for his ruling Liberal Democratic party (LDP) have asked him to stay away.

The prime minister came to office five months ago with an ambitious domestic and international agenda, but has been reduced nearly to impotence by political scandal and the long argument over whether Japan's rice market should be opened to imports.

Mr Miyazawa had hoped to make his mark as a leader who dealt successfully with the challenge of enhancing Japan's contribution to world affairs. Instead, he is most likely to be remembered for his inability to defuse three separate scandals: the aftermath of the Recruit stocks-for-favours affair, the Kyowa bribery case, and the unfolding drama of Sagawa Kyubin, a transport company with links to gangsters.

The scandals, according to opinion polls, are uppermost in the minds of the electorate in Miyagi, a farming district in northern Japan, which votes on Sunday in a by-election for the lower house of the diet (parliament). Rural voters are also angry with the LDP for hinting that Japan might open its rice market.

Mr Nobuo Onodera, the LDP candidate, and his campaign managers have asked Mr Miyazawa and foreign minister Mr Michio Watanabe to stay away from the hustings. "The bottom line is that they are just not wanted here. We told them not to come," said Mr Takayoshi Kono, a campaign manager.

The seat was left vacant by the death of the incumbent, a Social Democrat. The opposition only won the seat in 1989, at the height of the Recruit affair; Miyagi had been an LDP stronghold, and the party had hoped to win it back.

However, the scandals seem to have cut much of the ground from under his feet. According to opinion polls, even LDP supporters plan to register their anger by voting for a candidate sponsored by Rengo, the Japanese trade union organisation.

Even though many Japanese have become bored with the endless flow of allegations of political corruption, recent events seem to have inflamed their anger once more.

Interest was focused this week on a case dating back to 1982. The Tokyo High Court, a court of appeal, acquitted Mr Fumio Yokote, a former Diet member, of taking bribes from the National Federation of Thread-Plying Industry Co-operatives Associations, a textiles grouping.

He had been convicted of taking Y2m ($15,300) from the association in 1982 in return for using his influence with government officials to secure subsidies for the industry. The high court overturned the conviction on the grounds that the only evidence against Mr Yokote was the testimony of two alleged bribers.

The judge said their evidence was suspect because they had themselves been charged with bribery in connection with other incidents and therefore may have altered their evidence in the hope of securing lighter sentences.

The judgment and reasoning has provoked criticism. Daily Gendai, the tabloid newspaper, said in a report yesterday that "the judgment makes clear that without a reform in the law, political reform is impossible". An Asahi newspaper editorial urged the public prosecutor's office not to be discouraged by the verdict from pursuing future scandals with vigour.

The scandal to hurt Mr Miyazawa most directly is that of Recruit, a publishing company, which tried to curry favour by handing out cut-price stock.

Mr Miyazawa was finance minister when the scandal broke in 1988 and resigned for his (minor) involvement. He admitted that his secretary had accepted shares. But now that he is prime minister, opposition parties want to re-examine his role in the affair by questioning one of his aides in the Diet.

Mr Miyazawa has also been tarnished by the affair involving Kyowa, a steel frame maker and property developer, which allegedly bribed Mr Fumio Abe, a former minister and close associate of the prime minister. Mr Abe has been charged with accepting about Y90m in bribes for planning information.

In investigating links between Sagawa Kyubin and Inagawakai, a leading criminal organisation, the public prosecutor's office has found evidence of large flows of money to politicians. However, it has yet to find any hard evidence of wrongdoing on the politicians' part.

If the LDP loses in Miyagi, its hold on the Diet's lower house will remain unaffected. But a loss will do nothing to improve its prospects in the July elections to the upper house, where the LDP lost its majority in 1989.

Under Diet rules, the party with a lower house majority can force much legislation through the upper house. But bulldozer tactics run counter to Japanese custom and practice.

Rather, the ruling party is expected to take account of public opinion as expressed in elections, including by-elections, and adjust its policies accordingly. Since 1989, this has produced a virtual impasse on important legislation in the Diet, particularly in the field of political reform. The LDP has discussed numerous plans, but Diet members have not surprisingly found it impossible to agree on measures which would hurt their finances.

Germany launches defence of monetary union

By Quentin Peel in Bonn

THE German government yesterday launched a passionate defence of European economic and monetary union in an attempt to counter a rising tide of domestic criticism of the Maastricht treaty.

In an outspoken speech Chancellor Helmut Kohl's principal economic adviser, Mr Horst Köhler, answered point by point the doubts raised by leading state members of the governing council of the Bundesbank, and by politicians on both left and right of the political spectrum.

He presented the treaty as a great success for German economic and monetary policy. "We managed to achieve far more in my view, in the economic and monetary union, than could ever have been expected at the beginning of the negotiations."

And it was achieved, he stressed, because the negotiating brief was agreed "word for word" with the Bundesbank.

Mr Köhler said that Germany was not bound to join a monetary union if its partners did not interpret the economic preconditions for control of inflation and government spending "according to the spirit and letter of the treaty".

He went on to cite Mr Karl Otto Pöhl, the former president of the Bundesbank, as supporting an immediate monetary union between Germany, France, the Netherlands, Belgium and Denmark. "So why should it be wrong to realise a monetary union, with comparable convergence criteria, at the latest by 1999?" he demanded.

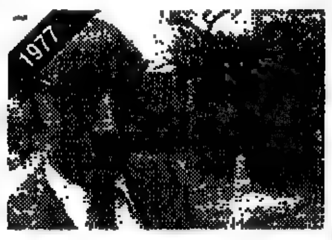
He insisted that no German politician, given the fundamental passion of the German voter for monetary stability, would accept any watering down of those criteria.

He also rejected fears about the future stability of the Ecu, compared to the D-Mark, insisting that the currency would be bound by even more austere stability requirements than the German currency. At the same time Mr Köhler ruled out any budget increase of the size proposed by Mr Jacques Delors, the European Commission president, to help finance the consequences of the Maastricht treaties.

Mr Köhler, who is the state secretary in the Ministry of Finance, Mr Kohl's "sherpa" for the summit meetings of the Group of Seven leading industrialised nations and the leader of Germany's negotiating team in the Emu talks, delivered his public address to a meeting in Karlsruhe.

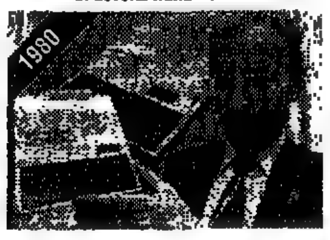
His speech seems certain to be seen as a key contribution in a debate on the ratification of the EC treaties.

Economic gloom eases, Page 3
Gatt compromise, Page 5
Mr Kohl goes to Washington, Page 14



Sinclair's brainwaves

- 1972: "Executive"- pocket calculator
- 1975: "Black Watch"- digital wrist watch
- 1977: "Microvision"- pocket TV
- 1977-8: "Enterprise" programmable calculator
- 1980: Sinclair ZX80 first home computer priced at less than £100
- 1981: ZX81 successor to ZX80
- 1982: ZX Spectrum home computer with colour
- 1983: Flat screen pocket TV
- 1984: Sinclair QL computer for home & business
- 1985: Sinclair C5 electric tricycle
- 1987: Z88 portable computer
- 1989: Launched first wafer-scale microchip
- 1989: Flat satellite dish- one of two to be marketed by Sky Television
- 1992: Electric bicycle
- ? "80 mph electric car with range of several hundred miles"



Sinclair gets back on the road with electric bicycle

SIR CLIVE SINCLAIR (above), the prolific British inventor, yesterday launched an electric bicycle which travels at a top speed of about 12 miles - or 20 km - an hour, writes Ian Holdsworth in London. The Zike was unveiled seven years after the spectacular flop of Sir Clive's electric tricycle, the C5. The ill-fated C5 tarnished the reputation of the man who dominated the UK pocket calculator market in the 1970s and virtually created the home computer market in the 1980s.

"One thing we learnt from the C5 which we couldn't have predicted was that people felt insecure because it was low down," Sir Clive said. "What we have now is a true bicycle." The Zike travels for up to an hour under its own power or for longer with help from the pedals and can be recharged in just one hour.

Several companies made electrically powered bicycles in the 1980s but these were generally lumbered by heavy lead-acid batteries and bulky motors. They usually weighed around 35kg.

The Zike is much lighter. It uses a nickel-cadmium battery and a motor based on a new form of "rare-earth" magnet. Both weigh about a third of their predecessors and are concealed in the frame. Using aircraft-style alloys instead of steel, the Zike weighs in at just 11kg. It is assembled for Sinclair Research in Birmingham by Tudor Webasto, a maker of car sunroofs. It will be sold in Britain from May for £499 ($855).

Lime Street turns sour for Lloyd's Names

Continued from Page 1

committed to substantial school fees, Mr Kingsley increased pressure on him to become a Name.

The dealer obtained a valuation on his house of £298,000, and then went to a building society which provided the £100,000 guarantee Lloyd's required. This Name joined in 1988, never made a profit and estimates his losses to date are more than £400,000.

He says: "When we asked about the effect of a big disaster, Kingsley would say: 'This will only cost you a gin and tonic.' He did of course say we could lose everything, but it was always played down."

He says he did not read documents sent to him by Mr Kingsley once he had joined. "I know it sounds pretty stupid, but we didn't understand anything. As far as we were concerned it was a respectable organisation and we had known him for so long."

Until the regulations were changed to forbid the practice in the late 1980s, Mr Kingsley offered Names commission to recruit new ones. Many members of his own family also became Names.

In the early 1980s, he began what Mr Pakozdi calls "annual pilgrimages" to the US and Canada.

In Toronto, he recruited a dentist and paid him a small sum to arrange regular meetings with prospective Names, including fellow dentists (like Mr Pakozdi), doctors, accountants, lawyers and business people. The dentist's savings were wiped out in losses from his syndicates and, at 70, he has had to come out of retirement and resume his practice.

Mr Pakozdi says Mr Kingsley's gatherings were "very professionally done. He paid for the bills. Well, I guess we really did in the end. The bill came a year later. The food wasn't that good."

Mr Kingsley also encouraged existing Names to increase their capacity – the amount of money they pledge to different syndicates. "It was not a question of whether you wanted to increase your capacity, but by how much," says Mr Pakozdi. "He would say rates [premiums] are hardening [increasing], it's a fantastic time to take advantage, strike while the iron is hot."

Some Names were persuaded by the apparent ease of making their assets (often their house) work twice for them. Mr Kingsley offered expertise, a spread of syndicates, personal stop-loss insurance and the fact that the syndicates were themselves reinsured. He was a member of many of the syndicates himself.

For many Names there was the advantage of being able to write off losses against tax. Some were comforted by the prestige and tradition of Lloyd's. All were impressed by figures showing profits stretching back over seven years made on typical syndicates.

Many Lime Street Names never saw profits. Most were caught unawares in 1990 when they discovered the enormous losses for 1988 and estimates for 1989. The demands for money have started to exceed the upper limit of reimbursement allowed under their stop-loss policies.

Some continued to underwrite on the brink of bankruptcy, hoping that one more year would bring recovery. "It was a mixture of flattery and greed," says Mr Colin Francis, who made money as a landlord and lost it through Lloyd's. "I was turned into a docile fool by the mystique of Lloyd's."

Names recruited by Mr Kingsley claim they asked to be put on low risk syndicates and said they never understood the high risks characterising the syndicates on which they were being placed.

Some say instructions to be moved to less risky syndicates were ignored. But they have little written evidence to back their case. "Everything with Mr Kingsley was done over a glass of wine or lunch," says Mr Francis.

Mr Kingsley refused to comment on the detailed complaints made by his Names. Earlier this week he said simply: "People have totally different conceptions of high risk when they lose money."

THE LEX COLUMN

Forward thrust at Rolls-Royce

The story that came out of Rolls-Royce yesterday was certainly not that of a defensive company humiliated at the hands of British Airways. Chairman Lord Tombs is a wily old bird, of course, and employed unusual openness in his effort to show that last year's widely publicised order setback was in contrast to progress elsewhere. Even so, it is hard not to be impressed by his forecast that civil engine deliveries next year will be more than double the number achieved in 1987, by the steady growth in Rolls' market share, and by the relentless if inescapable attack on costs.

Investors should always bear in mind that engine salesmen are among the world's great optimists, and ought to brace themselves for at least another year when Rolls' industrial power tail will wag the aerospace dog in profit terms. That said, the shares look an interesting bet on the recovery and even with a lower yield look more exciting than the likes of BICC and GKN, which also maintained their dividends this week. Increased payouts look a long way off in those two companies, but given a fair wind there is just a chance that Rolls might get its cover back above two times in 1993.

Demand for spares will ultimately receive a boost from the bigger installed engine base, as well as a cyclical kick. The company is wisely not setting any store by 1992, but given the 9 per cent growth in monthly traffic which its old friends at BA reported yesterday compared with February two years ago, Rolls might conceivably be too prudent this time.

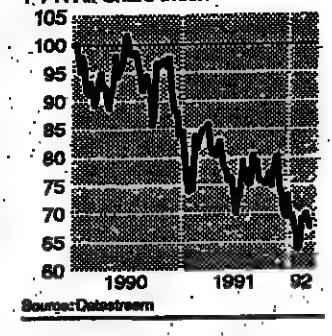
Ladbroke

The initial impression from Ladbroke's results is not encouraging. The 29 per cent fall in pre-tax profits would have been greater were it not for £44m earned on the sale of two provincial hotels in the UK. Net borrowings would have risen by about £100m without the £464m rights issue. The racing business, which should be richly cash generative, had a bad year, leaving Texas Homecare as the only good performer.

That said, the hotel division is now showing signs of recovery, though activity is not back to the 1990 level. Ladbroke's policy of selling off hotels while retaining a management contract will alleviate the cash burden of expanding this sector – a further £40m or so of sales is expected this year.

Ladbroke

Share price relative to the FT-A All-Share Index



Source: Datastream

Similarly the company also managed to generate profits of £20m last year by disposing of property at prices above current downgraded book values.

Indeed, if Ladbroke really has been as conservative as it claims in valuing its property portfolio, then the worries which have led its shares to underperform the market by 30 per cent over the past two years may finally be on the wane. But, despite the sales, its portfolio is still large, valued at roughly £1bn, and one whose value has mostly to be taken on trust. With a holding that includes 500,000 sq ft of unlet space in the UK and more than 800,000 in the US, Ladbroke is still a hostage of the property market. Despite the 2 per cent rise in its shares yesterday it would not do for investors to get carried away until that market improves.

Polygram

Philips may have omitted its dividend last week, but there is no denying the contribution to its finances from Polygram. Small wonder it says it has no intention of reducing its 80 per cent stake. Despite an acquisition spree last year, the music and entertainment subsidiary increased its earnings by a quarter and yesterday raised its dividend by a fifth. Its US businesses made an operating profit, while the return from the 30 per cent stake in Really Useful Group more than covered the investment's six-month financing costs.

It is curious that worldwide recession did not put more of a brake on consumers' appetite for music and video. But Polygram appears capable for the moment of competing with the world's entertainment giants, even though its integrated marketing strategy is still in its infancy. In the long term, the picture is less clear. With global stars demanding huge contracts which rank them as corporations in their own right, the stakes are ballooning to the point that a shakeout seems inevitable. Polygram's list of new talent is long enough to suggest it has a good chance of survival. Assuming Philips holds on until it thinks otherwise, investors should take their cue from the parent.

Redland/Steetley

That's enough rioja. The time has come for institutions to focus on the fairness of Redland's offer for Steetley. Yesterday's final defence document is crisply written, and highlights Steetley's strengths; but at this late stage few will be convinced by the company's case for an independent future. Its argument that Redland is buying valuable market shares in aggregates on the cheap, though, merits further attention. Redland has done its level best to undermine the asset revaluation, but even with a disappointingly low figure of 394p, which is questionable on the inclusion of landfill and surplus ACT, the bidder is arguably not paying a big premium for control.

Turning to the more meaningful question of earnings potential, the issue is when Steetley will again achieve the profit levels of the last five years. Given a fair wind – and assuming that landfill realises its full potential – this is certainly possible by 1994. A slightly more generous cash alternative from Redland may be needed to convince doubters that it is not worth waiting to see.

Sterling

The currency markets gave a nasty hint yesterday of what could happen if government support really starts crumbling in the opinion polls. Sterling fell below DM2.87 at one stage, even though the German currency was again lower against the dollar. The risk has resurfaced of a vicious circle with sterling weakening on political worries which are then compounded because of the government's inability to cut interest rates. It matters little that the bogeymen appear to be the white socks brigade in the City rather than foreign investors, who are much less frightened by Labour than they were in the 1970s. The chancellor must be feeling even more boxed in as he puts the final touches to next week's Budget.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	[illegible]	[illegible]	Belgrade	S	13	55	Cape Town	S	23	73	Edinburgh	F	9	48	Inverness	F	10	50
Algiers	C	16	61	Berlin	S	12	54	Caracas	C	28	82	Faro	F	18	64	Islamabad	C	21	70
Amsterdam	S	12	54	Biarritz	C	[illegible]	55	Casablanca	F	18	[illegible]	Florence	F	11	52	Istanbul	F	11	52
Athens	S	17	63	Bombay	S	31	88	Chicago	F	8	[illegible]	Frankfurt	S	12	54	Jakarta	R	32	90
Bahrain	S	19	66	Bordeaux	F	15	[illegible]	Cologne	S	14	57	Geneva	[illegible]	8	46	Jersey	F	8	46
Bangkok	F	35	[illegible]	Boulogne	F	12	54	Copenhagen	C	8	[illegible]	Gibraltar	S	16	61	Johannesburg	–	–	–
Barcelona	Dr	12	54	Brussels	S	13	[illegible]	Corfu	S	15	59	Glasgow	F	9	48	Lima	F	28	82
Beijing	S	7	45	Budapest	S	14	57	Dallas	C	14	57	Helsinki	C	-1	30	Lisbon	S	16	61
Beirut	S	16	61	Buenos Aires	F	28	82	Dublin	C	11	52	Hong Kong	S	14	57	London	F	11	52
Belfast	C	9	48	Cairo	S	19	66	Dubrovnik	–	–	–	Innsbruck	S	[illegible]	57	Los Angeles	[illegible]	13	55

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Luxembourg	C	13	55	Miami	F	23	73	Nice	R	15	59	Salzburg	S	15	[illegible]	Tenerife	[illegible]	[illegible]	66
Madeira	F	18	64	Milan	Fg	7	45	Nicosia	S	17	63	San Francisco	C	12	54	Tokyo	[illegible]	6	43
Madrid	F	11	52	Montreal	C	-7	19	Oporto	C	13	55	Seoul	R	4	[illegible]	Toronto	S	-1	30
Majorca	F	16	61	Moscow	Dr	1	34	Oslo	C	4	[illegible]	Singapore	F	28	82	Tunis	[illegible]	16	61
Malaga	F	17	63	Munich	S	13	55	Paris	F	12	54	Stockholm	S	6	43	Valencia	F	15	59
Malta	C	15	59	Nairobi	F	27	81	Prague	S	12	54	Strasbourg	F	11	52	Venice	Fg	7	45
Manchester	F	10	50	Naples	F	16	61	Reykjavik	F	2	[illegible]	Sydney	F	25	77	Vienna	S	13	55
Manila	F	33	91	Nassau	[illegible]	26	79	Rhodes	S	17	63	Taipei	R	15	[illegible]	Warsaw	S	7	45
Melbourne	C	20	68	New Delhi	S	27	81	Rio de Janeiro	C	35	95	Tangier	C	17	63	Washington	[illegible]	7	45
Mexico City	C	27	80	New York	S	4	39	Rome	F	16	61	Tel Aviv	F	15	[illegible]	Zurich	F	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Friday March 6 1992

INSIDE

SAS pre-tax losses rise to SKr1.2bn

Scandinavian Airlines System yesterday reported a pre-tax loss of SKr1.2bn ($198m) for 1991, the second straight year it has suffered a deficit following its loss of SKr763m in 1990. The loss reflected extraordinary costs associated with a restructuring programme in addition to a write-off of its involvement in the Inter-Continental hotel chain. SAS made an operating loss of SKr9m before extraordinary costs, from a profit of SKr38m in 1990. Page 18

Heineken earnings rise 12%

Heineken, the Dutch brewer, boosted net profit 12 per cent in 1991 in spite of a drop in the volume of beer sales caused partly by the Gulf war. A strong second half lifted Heineken's net profit before extraordinary items to Fl 409.7m ($221.5m) from Fl 365.7m in 1990. Page 18

Sweeping changes for Mexico

Mr Carlos Salinas de Gortari (left), president of Mexico, is a man who likes bold, sweeping reforms. But many Mexican government officials feel he launched his most radical reform yet in opening up Mexico's antiquated agricultural sector to market forces. As a result, private ownership of farms will be increased and foreign investment in agricultural projects will be encouraged. Page 26

National Semiconductor up

National Semiconductor, the US chip manufacturer, reported sharply higher third-quarter net earnings of $14.5m (£8.5m) (compared with $5m a year ago) which reflected a pre-tax gain of $8.5m from patent licensing fees. Sales for the quarter were $401.8m, up from $386.8m. Page 20

Pentos profits rise 7%

Pentos, the UK book retailer and office equipment group, yesterday announced a 7 per cent increase in pre-tax profits to £15.2m for the year to December. Chairman Mr Terry Maher also reopened his campaign against the net book agreement, the voluntary agreement which sets minimum prices for most books. Page 23

More O'Ferrall falls 40%

More O'Ferrall, the UK billboard and bus shelter advertising contractor, suffered weak trading conditions in 1991 and reported a fall in pre-tax profits of 40.3 per cent to £5.8m ($9.9m) in 1991. However, Mr Russell Gore-Andrews, chairman, said that after a 60 per cent drop in first-half profits to £800,000 second-half trading was "substantially better". Page 23

Raine buys house builder

Raine Industries yesterday announced it had agreed to acquire Walter Lawrence in an all-share offer valuing the company at £28.5m ($48.7m). A takeover would create the UK's 10th largest house builder producing about 2,000 homes a year. Page 23

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Mannesmann	293	+	4.5
Rosenthal	275.5	+	4.5
Volkswagen Pri	322	+	7.5
Falls			
Metallgesellschaft	445.2	–	9.3
Philips Kommun	561	–	19
Wella Prf	625	–	10

NEW YORK ($)

Rises			
JC Penney	63½	+	1½
Stuart Hall	12⅜	+	3
Wal-Mart	53⅞	+	1⅞
Falls			
Baltimore Bancp	6⅛	–	1⅛
Gap	45¾	–	2⅝
Woolworth	29	–	⅞

New York prices at 12:30.

PARIS (FFr)

Rises			
Cogifi	365	+	11.5
Paris Rescompt	285	+	20.5
SILIC	595	+	35
Falls			
Accd Entrepr	1030	–	40
Canal +	1105	–	47
Carrefour	2603	–	77

TOKYO (Yen)

Rises			
Ichikawa Wool	679	+	84
Meiji Milk Prod	1020	+	92
Okamoto Inds	1220	+	200
Sagami Rubber	1300	+	130
Falls			
Chesan-Tokan	510	–	40
Crown	1010	–	200

LONDON (Pence)

Rises			
Burnfield	163	+	7
Conroy Pet	58	+	8
Enterprise Cmp	25½	+	2
Granada	256	+	7
Ingham	122	+	7
Jessups	85	+	7
Lawrence (W)	46	+	23
Life Sciences	170	+	8
Pentland	101	+	4
Quicks Group	69	+	4
Rolls-Royce	146	+	6
Simon Eng	271	+	19
Singer&Friedl	[illegible]	+	3
Falls			
Anglian Water	358	–	11
BAA	563	–	15
Clinton Cards	69	–	6
Gen Accident	438	–	16
Hammerson A	437	–	12
PowerGen	236	–	7
Radius	27	–	2
Raine Inds	108½	–	15½
Sumit	41	–	9
Transfer Tech	405	–	25
WPP	82	–	11

O&Y raises C$600m in pipeline group sale

By Bernard Simon in Toronto and Vanessa Houlder in London

OLYMPIA & York, the property developer owned by Toronto's Reichmann family, is set to raise about C$600m ($508.4m) by selling its controlling interest in Interprovincial Pipe Line, which operates the world's longest network of oil pipelines.

Separately, O&Y has redeemed C$240m of a C$500m commercial paper programme, after some investors stopped reinvesting in the issues following its downgrading last month.

The Dominion Bond Rating Service cut the rating from R1 middle to R1 low, which is towards the bottom of its investment grade ratings. The downgrading resulted from the weakness of the shares on which the programme is secured, namely Trizec, the property company, Trilon, the financial services holding company and G.W. Utilities. Over the next two to three months, O&Y will wind up the programme which is used as a source of general funds.

An O&Y subsidiary, G.W. Utilities, indicated yesterday it was in the final stages of discussions to sell its 63.5 per cent stake in Interprovincial. It asked the Toronto stock exchange to halt trading in the shares of both companies pending board meetings later in the day.

The Interprovincial sale marks the latest in a series of cash-raising measures by O&Y to offset financial strains in its property operations, which include London's Canary Wharf project as well as large holdings in New York and other North American cities.

O&Y is a private company and declines to disclose any details of its financial situation.

GWU has a 63.5 per cent interest in Interprovincial, while Olympia & York owns 89 per cent of GWU.

The pipeline company is valued at a total of C$1.1bn based on its price of C$27.75 per share before yesterday's halt in trading.

Analysts expect GWU's controlling block in Interprovincial to command a small premium above the current market price, partly because about C$9 per share of its assets is in the form of cash. O&Y can thus expect to receive around C$600m from the sale.

Shares rise as group maintains dividend

Rolls-Royce pre-tax profits fall 71%

By Paul Betts, Aerospace Correspondent in London

ROLLS-ROYCE, the UK aero-engine and industrial power group, yesterday reported a 71 per cent drop in pre-tax profits last year but expressed confidence in its long-term prospects by maintaining its dividend.

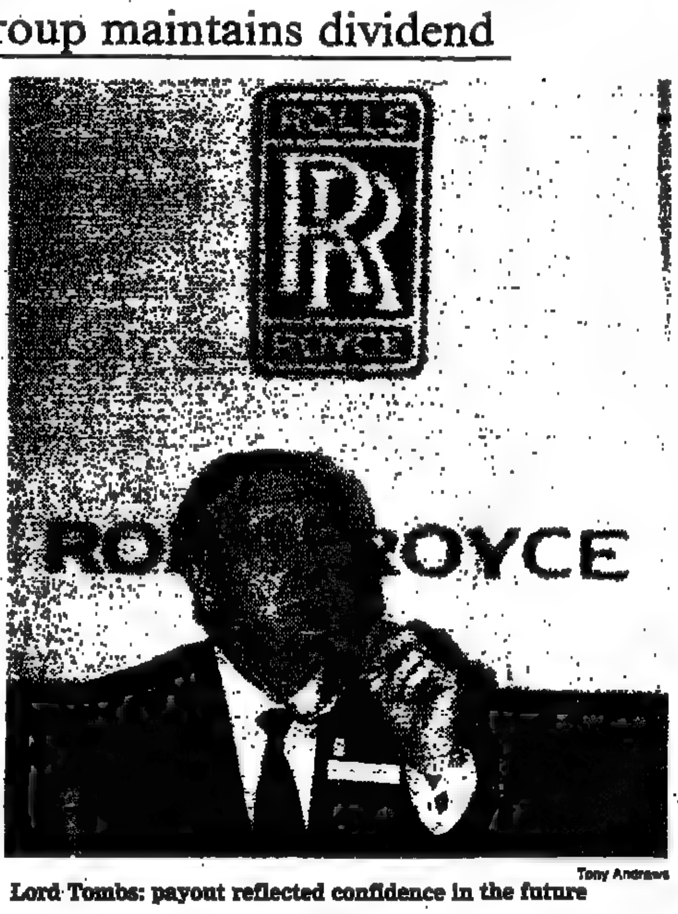
The decline in defence spending and the slump in the civil aviation industry were responsible for the sharp decline in pre-tax profits to £51m ($89.76m) last year from £176m in 1990.

The company's core aerospace activities lost £6m last year, against a profit of £81m the year before. The group's industrial power activities also reported lower profits of £78m last year down from £102m in 1990.

The decline in profits also included a £58m restructuring charge to cover the 7,000 job cuts the company made last year. Sir Ralph Robins, chief executive, confirmed yesterday the company expected to reduce its workforce further this year, by 3,000.

Group sales declined 4 per cent last year to £3.5bn from £3.67bn the year before. Sales in the aerospace division fell 13 per cent to £2.033bn but increased 11 per cent in the industrial power division to £1.482bn.

The company decided to maintain its final dividend at 4.7p a share making an unchanged total dividend for the year of 7.25p a share. Although the company has had to resort to its reserves to cover the dividend payment, Lord Tombs, chairman, said the decision reflected the company's confidence in its future.



Tony Andrews

Lord Tombs: payout reflected confidence in the future

The decision to maintain an unchanged dividend after speculation of a possible cut helped lift Rolls-Royce shares in London which closed 6p higher at 146p in a generally weak market.

"We have continued to strengthen our position in highly competitive international markets," Lord Tombs said.

The company maintained a strong balance sheet with year-end net cash of £52m (£170m in 1990) and an increased order book of £6.6bn (£5.7bn in 1990).

Research and development spending was £216m – lower than the 1990 peak of £237m. Lord Tombs said he expected annual R&D spending to average 8 per cent of turnover.

The group's industrial power activities now accounted for more than 40 per cent of sales helping to broaden the company's overall business base. Military business had now declined from more than 50 per cent of turnover six years ago to around 20-25 per cent of group sales last year.

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PolyGram rises 24% on US growth

By Michael Skapinker, Leisure Industries Correspondent

POLYGRAM, the music company 80 per cent-owned by Philips of the Netherlands, shrugged off the economic downturn in several of its markets to record a 24.8 per cent increase in net income last year to Fl 446m ($236m).

The company, which has 20 per cent of its shares listed on the Amsterdam and New York stock exchanges, benefited from an improved performance in North America and several popular and classical hits.

North American operating income was Fl 13m last year, compared with a loss of Fl 48m in 1990. Six of the company's popular albums sold more than 3m units each worldwide last year, compared with two albums in 1990. Top-selling artists in 1991 included Sting, Dire Straits, U2 and Bryan Adams.

Best-selling classical albums included Carreras, Domingo, Pavarotti in Concert recorded in 1990 during the football World Cup in Rome which has now sold 7m units. PolyGram has also sold 1m copies of the concert video.

Worldwide sales were up 20.5 per cent to Fl 6.3bn. Net income per share rose 24.8 per cent to Fl 2.62. The full year dividend is Fl 0.60 against Fl 0.50.

Mr Alain Levy, chief executive, said the company last year increased its share of the worldwide recorded music market from 17.5 per cent to 18.5 per cent.

Compact disc sales continued to grow at the expense of other music formats such as cassettes and long-playing records.

CDs accounted for 58 per cent of PolyGram unit sales last year, compared with 48 per cent in 1990. Cassettes made up 35 per cent of unit sales last year, with records accounting for 7 per cent.

The higher price of CDs meant that their sales were 71 per cent of album sales by value, compared with 62 per cent in 1990. Cassettes made up 23 per cent of sales and records 6 per cent.

Mr Levy said that with more people owning CD players, CD sales growth would probably begin to slow. However, the introduction of the Digital Compact Cassette (DCC) later this year would boost the music market. DCC tapes look similar to conventional cassettes but have a sound quality similar to CDs.

Mr Jan Cook, chief financial officer, said Mr Andrew Lloyd Webber's Really Useful Holdings had made a positive contribution to PolyGram's profits. PolyGram bought a 30 per cent stake in Really Useful Holdings last year.

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Allianz hit by east German losses

By David Waller in Munich

ALLIANZ, Europe's largest insurer, is likely to make operating losses in excess of DM1.5bn ($897m) on Deutsche Versicherungs, its east German operation, before the business begins trading profitably early in 1996.

The scale of the losses, disclosed yesterday by Mr Uwe Haasen, head of Allianz's domestic insurance operations, significantly exceeds analysts' estimates of the cost of Allianz's east German expansion.

However, since the group estimates do not include DM711m paid for Deutsche Versicherungs or take account of the DM900m poured into the eastern operations since the acquisition, it is possible Allianz will not show a positive return on its east German investment until early next century.

Mr Haasen yesterday conceded that the acquisition was not a "normal purchase of a company".

He said it should be seen as a strategic move to "reoccupy" a market from which west German insurers have been excluded since the Second World War.

He argued that the east represented a 25 per cent increase to the German market, and that, over time, the insurance needs of east Germans would grow in line with those of west Germans.

Profits would arrive as east German premium rates adjusted to west German levels, and as productivity was increased, mainly through the staged reduction of Deutsche Versicherungs' 14,000-strong workforce, Mr Haasen said. About 10 per cent of the workforce will be shed this year.

Mr Haasen warned, however, that the company's difficulties would continue into next century before its finances could be strengthened to build up reserves.

Mr Haasen said Deutsche Versicherungs' operating losses in 1991 would be about DM550m, following a DM231m loss in the second half of 1990. Losses this year would be DM350m, falling to between DM220m and DM250m in 1993, and DM200m in the following year before breaking even in 1995.

He said premium income rose 20 per cent last year if the eastern states were included and 10 per cent in the west to DM11.3bn. Heavy claims on fire policies and motor insurance would depress west German earnings.

Pure insurance business in the west is expected to make profits for 1991 similar to the DM265m of 1990.

Guy de Jonquières on whether investors' gloom over the UK food-to-property group is justified

Hillsdown seeks to cure City jitters

There can be few more striking examples of the change in City of London attitudes since the late 1960s than the roller-coaster stock market fortunes of Hillsdown Holdings, the food, furniture and property conglomerate.

Little known before it went public in early 1985, Hillsdown shot to favour on the strength of its voracious appetite for takeovers. In 1986, it made acquisitions at the rate of one a week, and by 1989 it was Britain's fourth biggest food company.

Hillsdown insisted its dealmaking was guided by a clear strategy of turning around troubled companies in mature businesses and consolidating them into sector leaders. Coupled with decentralised operational management and firm financial controls, the formula sent the company's profits and share price soaring.

However, City of London enthusiasm cooled after the 1987 stock market crash. Sobered investors took fright at Hillsdown's high debt levels, while its forays into areas such as housebuilding fuelled suspicions that it had sacrificed industrial logic for compulsive bargain-hunting.

Hillsdown, which publishes its full-year results on Wednesday, has responded by making disposals, cutting borrowings and concentrating on food as its core activity. Yet investor jitters have persisted.

Early last year, a bear raid sent the company's shares tumbling 30 per cent in two days. Just as market confidence was recovering, Hillsdown saw the disastrous reception in October of its surprise £281m ($480.8m) rights issue. Sir Harry Solomon, chairman, said he wanted the cash partly to make acquisitions. But his failure to name targets alarmed shareholders that he was wearying of "back-to-basics" and itching to splash out on an opportunistic shopping spree.

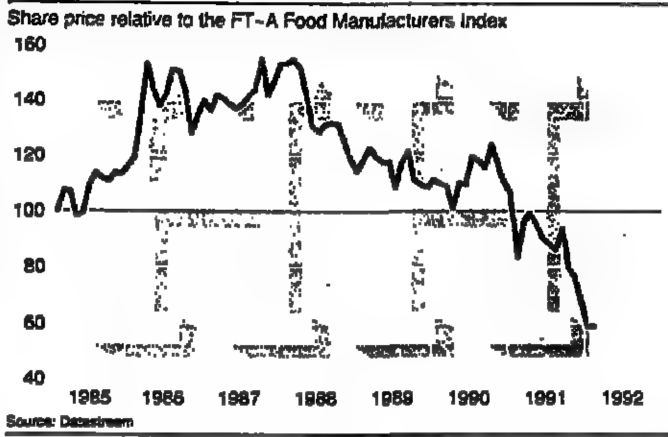
Today, Hillsdown's share price is 169p, well below the 210p level of the rights issue, and its price-earnings ratio of 7.0 is among the lowest in the UK food industry. The knowledge that maturing stock option and earn-out schemes are set to boost the supply of Hillsdown paper in the next few years has kept investors cautious.

But is the gloom overdone? The company's rights issue did give it a strong balance sheet, while its recent acquisition of JP Wood, its main competitor in poultry production, should allow Hillsdown to rationalise a sector bedevilled by excess capacity and cut-throat pricing.

Even critics speak well of Hillsdown's skills as a cost-cutter and of the calibre of senior operating executives. They also commend it for some financially astute disposals and for continuing to make profits from its housebuilding business, which is to be floated off once market conditions improve.

Hillsdown Holdings

Share price relative to the FT-A Food Manufacturers Index



Source: Datastream

Still, doubts linger. Apart from Hillsdown's reputation for wrong-footing the stock market, the question remains whether it has the right recipe for sustained profits growth in foods in the 1990s. With £3.5bn of its total 1990 sales of £4.2bn in food, Hillsdown ranks fourth in Europe after Nestlé, Unilever, Philip Morris and BSN. It is Britain's biggest producer of meat and poultry, canned fruit and vegetables, jams and chocolate biscuits, and is second in tea after Brooke Bond.

Most of Hillsdown's UK products are unbranded because of the high cost of acquiring companies with top brands and of supporting them with hefty advertising budgets. Instead, it has sought to combine dominance over supply in its sectors with efficient, low-cost production.

Hillsdown is Britain's biggest producer of own-label supermarket products, and Sir Harry says this has led to close relations with leading retailers: "It's very much a partnership. They spend a lot of time with us in our plants, and we spend a lot of time with them."

Sceptics argue that such relationships are far from a marriage of equals, and that the multiples have no qualms about turning their backs on Hillsdown when it suits their short-term interests – for example, their willingness last year to import large volumes of chickens from France at prices UK producers could not match.

Such incidents also serve as a reminder that a large proportion of Hillsdown's sales and profits is tied to cyclical businesses exposed to price competition. Sir Harry replies that the company is withdrawing from commodity activities and is steadily moving upmarket by emphasising higher added-value products and improved customer service.

He also points out that food manufacturing accounts for more than half the company's food sales and has driven much recent profits growth. Manufacturing operations include Premier Brands, maker of Typhoo tea, Cadbury biscuits, Chivers and Hartley preserves and Maple Leaf Foods in Canada.

Much may depend on how rapidly Hillsdown can shift its business further into areas where it can establish a defensible competitive advantage. "It is now up to us to demonstrate that we are going to pursue our strategy successfully," Sir Harry says.

The City of London may take some convincing. Today's fashion favours food manufacturers who combine clarity of strategic purpose, predictability and a proven record of steady growth. Companies such as Cadbury Schweppes and Tate & Lyle are perceived as models of those qualities while Hillsdown is still widely viewed, as one analyst says, as "awfully good at buying and selling, but not a food company born and bred".

Though the company says that image does not do justice to its strengths, it concedes that it has to live with it for the moment. Mr Kevin O'Sullivan, finance director, says: "The fact is that, unlike Cadbury, we haven't been around for a 100 years. We are a creature of the 1980s."

Credit rating agencies may downgrade Barclays

By Simon London in London

BARCLAYS Bank, the UK's biggest bank, is expected to lose its AAA rating for long term deposits, following the decision yesterday by two of the world's leading credit rating agencies, Moody's and IBCA, to review their ratings of the bank.

The AAA rating is the highest possible and is only given to the strongest banks. Only Barclays in the UK had retained its premium rating. Its nearest rival, National Westminster, has a AA plus rating.

When the agencies put a bank's rating under review, it is very rare that the bank retains its original rating. "Barclays is going down to AA plus," predicted an analyst yesterday.

Moody's and IBCA are among the world's leading rating agencies. The other leader, Standard & Poor's, downgraded Barclays to AA plus a year ago.

It would be particularly embarrassing to Barclays to be downgraded by IBCA, since it is the leading European based rating agency.

IBCA said the decision to review Barclays' debt rating followed analysis of its full year results, unveiled on February 26, which showed a 30 per cent fall in pre-tax profits to £533m and a sharp increase in loan loss provisions.

The agency conducted a similar review last year but decided to maintain the top rating on the grounds that economic recovery would cut domestic loan losses. However, the upturn did not arrive.

Mr Robin Monro-Davies, IBCA managing director, said Barclays' costs were running at a higher level than some of its rivals. Its ratio of costs-to-income, a key measure of productivity, rose to 67.8 per cent, up from 65.7 per cent in 1990. The cost-income ratios of the other three English clearing banks fell last year.

Moody's said its review would focus on the impact of a deterioration in the quality of Barclays' loan book and also on the strength of its balance sheet. In 1991, Barclays made provisions of £1.76bn to cover the risk of losses on loans. Only National Westminster suffered a bigger bad debt charge.

Preussag holds ground as sales slip

By Quentin Peel in Bonn

PREUSSAG, the German steel, trading, energy and metals group, which took over the Salzgitter state steel company at the end of 1989, continues to confound the sceptics and report "satisfactory" prospects for the current year.

The company intends to maintain its 1990-1991 dividend of DM10 per share this year, in spite of a downturn in sales of some 7 per cent in the first four months, said Mr Ernst Pieper, chairman.

Group net profit in the last financial year, to September 30, reached DM425m ($254m) on sales of DM25.46bn, the company said, in excess of the DM400m forecast last December. Net profits on the first four months of the current financial year stand at DM130m, similar to the level in the same period one year ago.

"Individual units within the group face difficult economic conditions this year, but they have a good competitive position compared to other players in their markets," according to the annual report. "That is why we are optimistic about overall developments, and expect to generate another good result for the group and the parent in 1991-1992."

Mr Pieper said the sales figure of DM7.25bn in the first four months reflected lower prices for steel and non-ferrous metals. However, the diversification of the group had contributed to the relatively stable result.

Last year the company benefited from the strong growth in the German economy. Badly-hit was the group's 51 per cent-owned subsidiary, Metaleurop SA, which registered a loss thanks to the 29 per cent fall in lead and zinc prices.

VW steps up Mexico output by 60%

By Kevin Done in Geneva

VOLKSWAGEN of Germany, the leading European car maker, is increasing its production capacity in Mexico by more than 60 per cent. Mr Carl Hahn, chairman of the VW management board, said that the capacity of the group's Mexican subsidiary would be increased to 390,000 from 240,000 cars a year by 1994.

VW is making Mexico its sole production source for the supply of its Golf range of small family cars to the north American market. Mr Hahn said the group was seeking to make the supply of Golf cars to the US independent of exchange rate fluctuations between the D-Mark and the US dollar.

In the first two months of the year the VW group increased its sales of Volkswagen, Audi, SEAT and Skoda vehicles by 6 per cent to 558,000, said Mr Hahn. Vehicle sales in Europe also rose by 6 per cent to 413,000. New orders for VW and Audi cars were at a record level at the end of February, he said.

VW is developing its distribution co-operation with Toyota in Japan, where 47 Toyota dealers have recently agreed to begin selling VW and Audi cars in Japan.

Earnings at Heineken rise 12% as sales slip

By Ronald van de Krol in Amsterdam

HEINEKEN, the Dutch brewer, posted a 12 per cent rise in net profit in 1991 in spite of a drop in the volume of beer sales caused in part by the Gulf war.

A stronger second half helped lift Heineken's net profit before extraordinary items to Fl 409.7m ($221.5m) from Fl 365.7m in 1990. In the first half, which bore the brunt of the Gulf war impact, net profit had risen by less than 1.8 per cent.

Heineken said that the higher-priced premium segment of the European beer market and the low-alcohol segment had suffered less from last year's difficult conditions than the overall beer market. This accounts for the fact that sales proceeds showed a rise even though volume sales fell.

Turnover was up 5.9 per cent at Fl 8.2bn. Heineken declined to give a figure for volume sales, saying that this would be published in its annual report on April 2.

"The lower level of sales compared to 1990, resulting from bad weather and the consequences of the Gulf crisis in the first half of 1991, could not be fully compensated for in the remaining part of the year," Heineken noted.

Operating profit rose by 19.2 per cent to Fl 729.9m, outstripping the rise in net profit, which was held back by an undisclosed "considerable rise" in taxes.

Heineken also booked a net Fl 33.2m in extraordinary profits in 1991 stemming from the sale of land in Singapore. A roughly similar amount in extraordinary gains from the same land disposal is forecast for 1992.

As expected, Heineken left its dividend unchanged at Fl 3.50 per share but announced a one-for-four distribution of bonus shares to shareholders. Heineken distributes bonus shares out of its revaluation reserve every three to four years. Its last bonus issue was in 1989.

Ladbroke annual profits decline 29% to £210.4m

By Jane Fuller in London

REDUCED property values and a decline in betting-shop income lay behind a 29 per cent fall in annual pre-tax profit, to £210.4m ($370.3m) from £296.5m, at Ladbroke Group, the UK leisure concern.

The early months of 1991 were marked by warnings from Mr Cyril Stein, chairman, that the Gulf crisis had wiped out first-quarter profit in the Hilton International hotel chain. He was rather more upbeat about the start to this year.

Ladbroke, which raised £464m in a rights issue in August, was also affected by recessions in the UK and US, with the property division the worst hit. It fell into loss after interest of £12.4m, compared with £45.2m profit. Most of the turnround was accounted for by write-downs in values. A small profit was made in the second half through sales.

Group operating profit declined by 15 per cent to £312.2m on flat turnover of £3.79bn. Interest charges, including a supplement for convertible bonds, rose to £101.8m from £69.4m. There was a compensating reduction in capitalised interest to £34.1m, from £70.9m, as projects were completed and let.

Hotels remained the group's biggest contributor to operating profit at £163.8m, more than £10m down on 1990, with turnover reduced to £758.1m. The figures were helped by £43.7m, against £30.8m, of profits from hotel sales.

Operating profit from Ladbroke's betting businesses fell by 30 per cent to £64.5m on turnover of £2.25bn, against £2.3bn. The main area of weakness was credit betting, which had suffered a "loss of high-staking punters".

The star performer was Texas Homecare, the DIY chain which is second to Kingfisher's B&Q. Retail operating profit rose 20 per cent to £47.5m on sales of £652.9m. Mr Stein said Texas increased its market share to about 25 per cent of the DIY superstore sector and improved its margins.

Net debt, benefiting from the issue proceeds, fell to £1.12bn, from £1.49bn, and gearing was 38 per cent. Capital spending came down to £220m from £490m, with £180m planned for this year.

Writedowns in property and hotel values taken straight to the balance sheet amounted to £18.2m and £56.2m respectively.

After a final dividend of 6.23p, the total rises 5 per cent to 11.15p. This is 1.4 times covered by earnings per share of 16.12p, down from 24.49p.

See Lex 18

Unigro to buy third Spanish unit

By Ronald van de Krol

UNIGRO, the Dutch groceries retailer and wholesaler, said yesterday that it intends to acquire the Spanish supermarket group Grelar Asturias from Banco de Bilbao y Vizcaya, marking its third acquisition of a stores group in Spain since 1989. Financial terms were not disclosed.

Grelar Asturias, with annual sales equivalent to Fl 270m ($150m), operates 73 supermarkets under the El Arbol name in northwest Spain. Unigro's two previous Spanish acquisitions – the Sagara group in 1989 and Penagrande in 1991 – are also located in the Asturias, Cantabria and Castilla Leon regions of Spain.

The latest acquisition will lift Unigro's Spanish turnover to roughly Fl 900m and give it a market share in north-west Spain of around 15 per cent.

Unigro, which operates supermarkets in the Netherlands under the names Spar and Super, is also active in Belgium, where it generates annual turnover of Fl 900m. It had total turnover of Fl 3bn in 1990-1991.

● Wessanen, the Dutch foods group best known for its range of cheeses, reports net profits up by 20 per cent at Fl 105.6m for 1991 following a 5 per cent increase in turnover to Fl 3.9bn.

The company said all divisions contributed to the improved result.

Siemens Nixdorf lifts turnover 26%

By Quentin Peel

SIEMENS Nixdorf, the loss-making computer subsidiary of the German electrical and electronics group, boosted sales by 26 per cent in the first four months of the current financial year to DM3.8bn ($2.3bn), according to the chairman, Mr Hans-Dieter Wiedig.

Orders were up 14 per cent on the same period of the previous year, at DM3.7bn, he told the annual general meeting in Paderborn. If this growth rate could be maintained to the end of the year (September 30), then Siemens Nixdorf could expect a significant improvement in its results, he said.

However, the subsidiary, rescued by the Siemens group from collapse in 1990, will still be in the red, thanks to the fierce price competition between computer manufacturers, he said. Price cuts would cost the company some DM800m.

In the 1990-1991 financial year, the first year after the takeover, Siemens Nixdorf posted a loss of DM780m, and turnover fell by 2 per cent to DM12.1bn.

● Bilfinger & Berger, the construction group, says all divisions at home and abroad contributed to improve profits in 1991, although it gave no actual figures. It said it planned a dividend in line with profit development. For 1990 Bilfinger posted 1990 a net profit of DM43.5m.

SAS stays in red with SKr1.2bn deficit

By John Burton in Stockholm

SCANDINAVIAN Airlines System (SAS) yesterday reported a pre-tax loss of SKr1.2bn ($196m) for 1991, the second straight year it has suffered a deficit following its loss of SKr763m in 1990.

The loss reflected extraordinary costs associated with a restructuring programme as well as a write-off of its involvement in the Inter-Continental hotel chain. SAS made a small operating loss of SKr9m before extraordinary costs against a profit of SKr38m in 1990.

But Mr Jan Carlzon, SAS president, expressed confidence that SAS could return to profitability this year if it succeeds with its cost-cutting programme, which includes eliminating 3,500 jobs by this summer.

The carrier confirmed it had reached a preliminary agreement to sell back its 40 per cent stake in Inter-Continental to the hotel chain's controlling shareholder, Saison Holding, part of the Japanese retail and leisure group.

Mr Carlzon said the airline has lost between SKr1.5bn and SKr2bn from its unsuccessful attempt to expand its hotel operations after it purchased the stake in Inter-Continental from Saison in 1989 for $500m.

The hotel venture was part of Mr Carlzon's strategy during the 1980s to transform SAS into a complete travel company. But the SAS president decided last year to concentrate on airline operations as passenger traffic dropped in response to the Gulf War and the recession.

However, SAS will acquire principal ownership of three European hotels from Inter-Continental, including the Portman in London, the Dusseldorf Inter-Continental and Cologne Inter-Continental, which will be added to SAS's own hotel chain.

The write-off of its shares in Inter-Continental as well as the bankrupt US carrier Continental Airlines amounted to SKr1.2bn, which helped increase one-time restructuring and extraordinary expenses for SAS to SKr1.9bn.

Sale masks profit fall at Goodman Fielder

By Bruce Jacques in Sydney

AN ABNORMAL profit from the sale of a UK-based financing company saved Goodman Fielder Wattie, Australia's biggest food group, from a fall in earnings for the first half to December.

The company yesterday declared a 14.8 per cent rise in earnings to A$77.0m (US$57.80m) from A$67.1m on an advance in sales to A$2.25bn from A$2.16bn.

The interim dividend is being held at 5 cents a share.

However, the result masked a deterioration in the company's continuing businesses, reflecting the recession in the Australian economy.

Operating profits fell by 9.5 per cent to A$82.8m before an A$22.1m abnormal profit, compared with A$4.9m, resulting mainly from the sale of Benford, an inter-company financing vehicle used in Goodman's abortive 1989 raid on Britain's Ranks Hovis McDougall.

The Benford sale was announced earlier this year; however, details of the transaction remain obscure.

Mr Michael Nugent, chief executive, described the result as disappointing but in line with his prediction at last year's annual meeting.

"The directors believe that trading conditions will continue to be extremely difficult and that it is unlikely there will be a recovery in consumer demand of any substance in the current financial year," he said.

"The directors believe that a modest improvement in operating profit before tax and abnormal items should be achieveable for the full year."

Only two of the company's six main operating divisions achieved increased pre-tax earnings in the half – European Foods and Ingredients.

The baking and milling, poultry, grocery and frozen food divisions sustained earnings falls of between 5 per cent and 35 per cent.

The result followed a tax credit of A$2.9m compared with a A$31.8m charge.

Interest costs eased to A$69.2m from A$75.7m.

BIL confident despite 48% decline

By Terry Hall in Wellington

BRIERLEY Investments (BIL), the New Zealand investment and trading group, yesterday reported a 48 per cent fall in net profits to NZ$90.48m (US$49.4m) in the first half to December from NZ$175.18m a year earlier.

However, Mr Paul Collins, chief executive, said the group was at a "turning point" and more confident about its future than at any time in the past four years.

During the period the company's debt fell to under NZ$1bn from NZ$4bn as a result of sales of long-term assets such as Tozer Kemsley and Millbourn, the UK car dealership, to Inchcape.

He said that BIL, most of whose assets were in the UK, was "through the worst" with its investments in such companies as Mount Charlotte, the UK hotel group, and its 23 per cent stake in Budgen, the UK supermarket group. Its other UK investments in United Scientific and GPG were doing well.

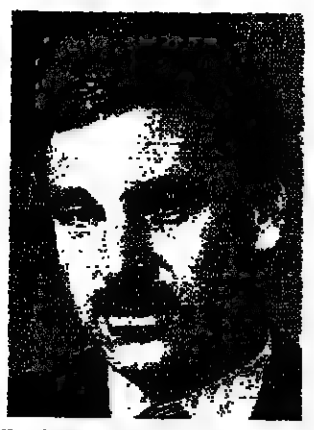
Most of its New Zealand investments were performing much more strongly, and some of these investments could be partially refloated to take advantage of revitalised interest in equities.

Mr Collins said that earnings for the restructured group were more comparable with the NZ$36.54m earned in the second half of last year.

The result included an exceptional loss of NZ$21m on its investment in Magnum Corporation, the New Zealand based liquor group. BIL was committed to seeing a profit turnround in Magnum.

However, BIL also announced an unexpected "exceptional" loss of NZ$17m after writing down 4 cents a share to 6 cents on its shareholding in property group Ariadne, due to the protracted downturn in the sector in Australia.

Mr Collins said that the improvements in earnings of subsidiaries came from a reduction in loss-making operations, increased efficiencies, a lower cost base and more competitive exchange and interest rates rather than



Paul Collins: group is at a 'turning point'

increased sales. BIL was now well positioned to benefit from any upturn in domestic activity through a much higher conversion rate to profit.

Benefits of restructuring Air New Zealand, its 42 per cent owned associate were readily apparent with a half-year profit of NZ$56m.

Mr Collins defended the sale of Tozer for £393.5m ($692.56m) following payment of dividend and other agreed payments to Inchcape. He said a £46m profit was achieved, and there were few other possible buyers apart from Lonrho, which was unacceptable to the Japanese motor companies.

Mount Charlotte Hotels, the largest hotelier in London, produced a full-year profit of £1.5m compared with £29.1m. "While the result is disappointing it represents an exceptional achievement in the most difficult year in the UK hotel industry since 1960," Mr Collins said. The trading profit of £72.6m, down from £99.3m, was "streets ahead of its competitors", representing a 32 per cent return on sales. He said forward orders for the summer and autumn periods were well ahead of 1991.

It was a reflection of the value of other assets that BIL would absorb a NZ$180m interest cost on holding Mount Charlotte and still achieve an increased profit in 1991-92.

The directors are increasing the interim dividend to 8 cents a share from 4 cents.

Bridge Oil moves back into the black

By Bruce Jacques

BRIDGE OIL, the Sydney-based resources group, returned to the black in 1991, shrugging off the previous year's big write-down of the troubled Aredor diamond venture in West Africa.

The company turned a A$81.3m net loss into a A$28.7m (US$21.50m) net profit in the year, and is resuming its dividend with a 2 cents a share payout.

The result was achieved despite a 4 per cent fall in sales to A$195.8m from A$204.6m. The directors said 60 per cent of the company's revenue was now derived from the US and the decline reflected lower US gas prices.

"During the year, the company substantially replaced Australian production with new reserves," they said. "[The company] anticipates achieving the same result in the current financial year notwithstanding the continued high production.

"There remains a degree of uncertainty as regards product prices. The present level of product prices in real terms is approximately equal to those ruling in 1974.

"Average product prices are presently below what was achieved in the previous year, and therefore unless there is an improvement, the result achieved in the 1991 year will be difficult to maintain."

Directors said the Aredor diamond project has achieved a positive cash flow, but incurred losses of A$1.5m.

Bridge paid back borrowings of A$52m in the year, cutting net interest-bearing debt to A$213m. This helped to reduce interest expenses to A$23.5m from A$29.3m.

Anglovaal earnings advance 6% midway

By Philip Gawith in Johannesburg

INCREASED earnings from Anglovaal Industries (AVI) allowed the Anglovaal group, one of South Africa's large mining houses, to record a 6 per cent increase in earnings in the six months to the end of December.

Although turnover rose by 7 per cent to R4.1bn ($1.44bn) compared with the 1990 interim figure, recessionary economic conditions took their toll with operating profit down by 5 per cent to R376.1m.

Attributable earnings, however, benefited from a 42 per cent increase in investment income, to R22.5m, and a 17 per cent increase in equity accounted earnings, to R45.7m, to end higher at R143.1m.

Anglovaal also announced yesterday that it would, through AVI, be lifting its investment in cement producer Anglo-Alpha to 19.5 per cent.

Under the deal, which involves a restructuring of the interests of the Anglovaal group and Holderbank Financière Glaris in Anglo-Alpha, AVI will acquire Anglovaal's 8.1 per cent direct interest in Anglo-Alpha. Additionally, the direct interests of AVI and Holderbank in Anglo-Alpha will be injected into an intermediate holding company, Altur.

AVI will then acquire from Holderbank a portion of its interest in Altur, equivalent to an effective 11.4 per cent interest in Anglo-Alpha.

Altur will hold 54.8 per cent of Anglo-Alpha's equity, and in terms of a proposed offer to Altur minorities – who have a 5.5 per cent effective holding in Anglo-Alpha – Anglovaal's indirect holding could increase to 25 per cent. The aggregate purchase price of R249.1m will be paid for by the issue of 1.92m ordinary shares in AVI.

Mr Basil Hersov, Anglovaal chairman, noted that while AVI's earnings had increased by 18 per cent, income from mining investments had been flat compared with 1990. Interest income declined as rates softened and surplus funds were used for purchases and to follow rights in the recent AVI offer.

Earnings per share rose by 6 per cent to 240 cents and the interim dividend is being lifted by 10 per cent to 33 cents a share. Mr Hersov said group earnings would remain under pressure for the balance of the financial year.

Surge at Bahrain bank

FAISAL Islamic Bank of Bahrain, one of the island's two offshore Islamic banks, yesterday reported that net profits for 1991 rose 48 per cent to US$9.02m, Reuter reports from Manama.

The bank, which is a subsidiary of the Bahamas-based Dar al-Mal al-Islami group, said income after paying profits on customers' investments jumped to $26.5m from $17.7m in 1990.

The entire profit was transferred to reserves to help strengthen the bank's capital base. Paid-in capital was increased to $50m from $40m last year. The bank also approved plans to double its authorised capital to $100m.

Assets grew to $1.3bn from $1.1bn in 1990.

Faisal Islamic Bank sold 40 per cent of its shares through private placement to Saudi investors during 1991, leaving Dar al-Mal with a 60 per cent stake.

Philippine telecom group improves 48%

By Jose Galang in Manila

PHILIPPINE Long Distance Telephone (PLDT), the country's leading communications group whose shares are traded in Manila and New York, has announced 1991 net profits of 4.72bn pesos ($187m), an increase of 48 per cent over the previous year.

However, the profits growth rate was somewhat slower than last year's 55 per cent.

Attributable profits, after deducting dividends due to preferred shareholders, grew by 52 per cent to 4.5bn pesos. Earnings per share amounted to 98.90 pesos, up from 64.56 pesos.

Operating revenues rose 29 per cent to 16.6bn pesos due mainly to "the installation of more telephones, higher volume of long-distance calls, and various improvements in the company's service capabilities".

The company reinvested 95 per cent of its 1991 net profits, effectively increasing stockholders' equity to 17.47bn pesos.

BANK OF CREDIT AND COMMERCE INTERNATIONAL
LIQUIDATION

NOTICE TO CLAIMANTS

Appointment of Liquidators

The District Court of Luxembourg, 6th Chamber, on 3 January 1992 appointed B. Smouha of Touche Ross & Co, London, and G. Baden and J. Roden, Attorneys at Law, Luxembourg as Joint Liquidators of Bank of Credit and Commerce International S.A. ("BCCI SA"). A winding up order was also made in respect of BCCI SA by the High Court in England on 14 January 1992. On the same day C. Morris, J.P. Richards, N R Lyle and S.J. Akers, all of Touche Ross & Co. London were appointed as Joint Liquidators of BCCI SA by the Secretary of State for Trade and Industry under Section 137 of the Insolvency Act 1986.

The Grand Court of the Cayman Islands on 14 January 1992 appointed I.A.N. Wight, R.E. Axford and M.W. Mackey of Deloitte Ross Tohmatsu, Cayman Islands as Official Liquidators of Bank of Credit and Commerce International (Overseas) Ltd ("BCCI Overseas") and Credit and Finance Corporation Limited ("CFC").

Proposed Pooling Arrangements and Agreements with Majority Shareholders

The Liquidators of BCCI SA, BCCI Overseas and CFC are in the process of sending out letters with summaries of:

- Proposed Pooling Arrangements whereby the assets of BCCI Holdings (Luxembourg) S.A. ("Holdings") and its subsidiaries, BCCI SA, BCCI Overseas and CFC, including branches of BCCI SA and BCCI Overseas, will be pooled and distributed rateably amongst creditors.
- Proposed Agreements with the Government of Abu Dhabi on behalf of the Majority Shareholders of Holdings under which the Government of Abu Dhabi will make funds available for distribution (subject to conditions) to ordinary unsecured creditors of BCCI SA, BCCI Overseas, CFC and Holdings.

The High Court in London will consider whether to approve the Proposed Pooling Arrangements and the Proposed Agreements with the Government of Abu Dhabi at a hearing on 8 April 1992. The courts in Luxembourg and in the Cayman Islands will consider whether to give such approval at hearings to be held on 28 April 1992 and on 30 April 1992 respectively. *Creditors may appear or be represented at these hearings.*

If any claimant has not received the above letter and its attachment by 21 March 1992, or requires further information, or intends to appear or be represented at the court hearings, he should contact, for BCCI SA, the Liquidators' Global Creditors Group at P.O. Box 250, 100 Leadenhall Street, London EC3A 3AD, United Kingdom and, for BCCI Overseas and CFC, the Liquidators at P.O. Box 1359, Fort Street, George Town, Grand Cayman, Cayman Islands, B.W.I.

Creditors' Committees

A Creditors' Committee has been established by the Luxembourg Court. In England an ad hoc Creditors' Committee has been set up. These Committees will be consulted on the Proposed Pooling Arrangements and the Proposed Agreements and their views will be reported to the relevant Court. In the Cayman Islands, it is proposed that a Creditors' Committee be established for BCCI Overseas following the hearing on 30 April 1992. Any creditor who requires to be placed in contact with members of the Luxembourg or English Creditors' Committees should write, for Luxembourg, to The BCCI Creditors' Committee, 25c Boulevard Royal, P.O. Box 46, 2010 Luxembourg and, for England, to The BCCI Creditors' Committee, P.O. Box 550, 100 Leadenhall Street, London EC3A 3AD, United Kingdom.

Submission of Claims

The Liquidators will be writing to claimants separately before 30 March 1992 concerning the procedure for establishing claims (including Special Proof of Debt forms) and there is no requirement for claimants to contact the Liquidators at this time to establish their claims.

This notice ONLY applies to BCCI SA and BCCI Overseas and their branches and to CFC.

THE JOINT LIQUIDATORS OF BCCI SA, BCCI OVERSEAS AND CFC.

Inter-American Development Bank ("IDB")
Japanese Yen 15,000,000,000
7 7/8 % Bonds of 1983,
due 15th November, 1993 (the "Bonds")
EARLY REDEMPTION on 7th April, 1992
of all the Bonds by IDB

Notice is hereby given to all holders of the Bonds that pursuant to the Terms and Conditions of the Bonds, the Issuer of the Bonds has elected to redeem in advance all of the Bonds then outstanding on 7th April, 1992 at 100.25 per cent of their principal amount together with interest accrued and unpaid to such date (such amount being an aggregate of yen 1,033,563 for each Bond of yen 1,000,000).

The Bonds should be presented and surrendered for payment together with all the unmatured coupons attached thereto at the specified office of any of the Paying Agents listed on the reverse side of the Bond, except for The Bank of Tokyo, Ltd., London Office and The Industrial Bank of Japan Limited, London Branch, which as of 9th March, 1992 and 16th March, 1992, respectively, will be at their new address listed below. Failure to surrender any such unmatured coupon(s) will result in the amount of such coupon(s) being deducted from the sum due for payment on the redemption date. On and after 7th April, 1992, the Bonds will *no longer be outstanding and interest thereon shall cease to accrue.*

The Bank of Tokyo, Ltd.
London Office
Finsbury Circus House
12-15 Finsbury Circus
London, EC2M 7BT

The Industrial Bank of Japan, Limited
London Branch
Bracken House,
One Friday Street,
London, EC4M 9JA

6th March, 1992

THE BANK OF TOKYO, LTD.
as Fiscal Agent, Tokyo

Inter-American Development Bank ("IDB")
Japanese Yen 15,000,000,000
7 1/2 % Bonds of 1984,
due 28th September, 1994 (the "Bonds")
EARLY REDEMPTION on 7th April, 1992
of all the Bonds by IDB

Notice is hereby given to all holders of the Bonds that pursuant to the Terms and Conditions of the Bonds, the Issuer of the Bonds has elected to redeem in advance all of the Bonds then outstanding on 7th April, 1992 at 100.50 per cent of their principal amount together with interest accrued and unpaid to such date (such amount being an aggregate of yen 1,044,375 for each Bond of yen 1,000,000).

The Bonds should be presented and surrendered for payment together with all the unmatured coupons attached thereto at the specified office of any of the Paying Agents listed on the reverse side of the Bond, except for The Bank of Tokyo, Ltd., London Office and The Industrial Bank of Japan Limited, London Branch, which as of 9th March, 1992 and 16th March, 1992, respectively, will be at their new address listed below. Failure to surrender any such unmatured coupon(s) will result in the amount of such coupon(s) being deducted from the sum due for payment on the redemption date. On and after 7th April, 1992, the Bonds will no longer be outstanding and interest thereon shall cease to accrue.

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London Office
Finsbury Circus House
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The Industrial Bank of Japan, Limited
London Branch
Bracken House,
One Friday Street,
London, EC4M 9JA

6th March, 1992

THE BANK OF TOKYO, LTD.
as Fiscal Agent, Tokyo

CANAL+

EARLY REDEMPTION OF CONVERTIBLE BONDS

Holders of CANAL+ convertible bonds issued in June 1989 may convert their bonds into shares of CANAL+ common stock or redeem them during the three month period from March 30 to June 30, 1992. The conversion or redemption was approved by the CANAL+ Board of Directors on December 17, 1991, and will be carried out according to the terms of the June 26, 1989 issue contract.

Bondholders are requested to inform their financial agency as to whether they wish to:

- convert their bonds on the basis of one share per bond.
Shares issued upon conversion will carry dividend rights from January 1, 1992. On February 28, the share was trading for FF 1,140;

- or redeem their bonds for FF 850.0 per bond plus FF 12.95 in interest accrued since January 1, 1992.

The bonds will no longer be listed after March 30, 1992. All bonds remaining unconverted as of June 30, 1992 will be automatically redeemed.

INTERNATIONAL COMPANIES AND FINANCE

IBM senior debt is downgraded by Moody's

By Martin Dickson in New York

INTERNATIONAL Business Machines, for decades the most blue chip of all US manufacturing companies, has suffered the indignity of having its long-term debt downgraded by Moody's Investors Service, a leading credit rating agency.

Moody's cut its senior debt rating from Aaa to Aa2, *because its "credit quality over the longer term will be adversely affected by shifting customer requirements and intense competitive pressures"*. The blow is likely to be more psychological than practical since the company's rating is still high and Moody's stressed that "IBM remains an exceptionally strong credit".

Analysts said it was a further sign that IBM, which dominated the global computer industry, was a diminished force facing pressures from smaller and nimbler rivals – which it is emulating through a management shake-up and decentralisation.

The first downgrading of IBM's debt occurred last year at the hands of Duff & Phelps, another rating agency. S&P retains its top rating on IBM – AAA – but has had the company on "negative outlook" since last August. It has said that a downgrade would be possible if IBM failed to improve profits when it shipped its new line of mainframe computers, a process which began in late 1990.

IBM said it was disappointed with Moody's action but believed the impact on its worldwide financing requirements would be minimal.

The company said that in seven of the 10 years from 1980 to 1990 it had been the most profitable company among the Fortune 500. Although 1991 had been a difficult year, it had earned pretax profits of nearly $4bn.

Moody's said "IBM's competitive environment, and its own necessary remedial actions to adapt to it, will continue to induce volatility in its operating performance, and that overall returns and margins will stabilise at lower levels than those IBM has historically reported".

Agency also rerates Upjohn

By Alan Friedman in New York

THE controversy over the safety of Halcion, the sleeping pill alleged to have harmful side-effects, was among the main concerns that led to the downgrading of the long-term debt rating of Upjohn, the US drugs company, by Moody's Investor Service.

The rating agency said that sales of Halcion were "falling sharply due to adverse publicity and regulatory actions".

Moody's noted that the Food and Drug Administration (FDA) had recently said its data supports Halcion's effectiveness, but stressed that deeper investigation by the FDA and other regulators "could result in additional restrictions on Halcion or all drugs of its class".

Moody's lowered the rating to Double-A3 from Double-A2. About $520m of debt is affected. Upjohn has denied that it failed to disclose the side-effects of Halcion to the FDA and has launched a lawsuit against Dr Ian Oswald, a Scottish psychiatry professor and critic of Halcion.

Aside from concern about Halcion, which has $260m of annual sales and is Upjohn's second biggest drug product, Moody's noted that Upjohn's marketing exclusivity in the US for Xanax tranquilliser, Ansaid anti-inflammatory agent and Halcion expires in 1993. Moody's said these represented a significant portion of Upjohn's pharmaceuticals earnings, which could fall when the exclusivity ends next year.

BankAmerica Corporation
(Incorporated in the State of Delaware)

U.S.$400,000,000
Floating Rate Subordinated
Capital Notes Due 1997

Holders of Notes of the above issue are hereby notified that for the next Interest Sub-period from 9th March, 1992 to 9th April, 1992 the following will apply:

1. Interest Payment Date: 9th June, 1992.
2. Rate of Interest for Sub-period: 5% per annum.
3. Interest Amount payable for Sub-period: US$215.28 per US$50,000 nominal.
4. Accumulated Interest Amount payable: US$215.28 per US$50,000 nominal.
5. Next Interest Sub-period will be from 9th April, 1992 to 11th May, 1992.

Agent Bank
Bank of America
International Limited

Canadian Imperial Bank rises 11%

By Bernard Simon in Toronto

IMPROVED lending margins helped Canadian Imperial Bank of Commerce post an 11 per cent rise in first-quarter earnings, in spite of a rise in loan loss provisions.

Canada's second biggest bank lifted earnings to C$221m, (US$187.2m) or C$1.01 per share, in the three months to January 31, from C$199m, or 98 cents a share, a year earlier. Return on common equity fell to 13.5 per cent from 14.2 per cent as a result of a large increase in preferred share financing. Return on average assets improved to 0.71 per cent from 0.67 per cent.

Net interest income rose to C$922m from C$818m, reflecting a widening in interest rate margins to 3.05 per cent from 2.8 per cent.

The protracted domestic recession has led the bank to raise loan loss provisions to C$188m from C$128m. CIBC said it estimated loan losses for the year at C$750m, compared with C$618m in fiscal 1991.

Non-performing loans totalled C$2.1bn, up from C$1.9bn three months earlier. Most of the increase was outside Canada.

CIBC is the last of Canada's big six banks to report first-quarter earnings. In most cases, lower interest rates have offset higher loan losses to produce an improved bottom line. The Canadian banks continue to boast strong capital positions and relatively attractive returns compared to many of their US counterparts.

The strongest first-quarter performance came from Bank of Nova Scotia, which lifted net earnings by 24 per cent.

Toronto-Dominion Bank, which was the most highly-regarded Canadian bank throughout the 1980s, has been hit by its heavy exposure to Ontario and Quebec, and by a number of soured international ventures. TD's first-quarter earnings dipped by 9 per cent.

The Gap posts 49% increase

By Nikki Tait in New York

THE GAP, the fast-growing US *fashion* chain, yesterday announced a sharp 49 per cent improvement in fourth-quarter profits, to $83.9m after tax, compared with $56.5m in the *same period a year earlier.*

The profits advance came on sales of $803.5m, against $624.7m in the three months to February 2, 1991. However, part of the rise derives from the expansion of the chain – which operates 1,216 stores – while same-store sales increased by 12 per cent.

The fourth-quarter figures leave The Gap with profits of $229.9m after tax for the year. In 1990-91, the figure was $144.5m.

Net sales for the year were $2.52bn, up from $1.93bn last time. Comparable store sales increased by 13 per cent.

Although at the earnings per share level, the results were roughly in line with expectations, The Gap shares fell $2⅜ to $45⅜ on the news.

The Gap figures came as many big US retailers posted *their sales figures for February* – showing a mixed bag of results, particularly when the effect of the Iraq conflict on last year's figures is borne in mind. The Gap revealed a 7 per cent improvement from comparable stores. The star remained Wal-Mart, the Arkansas-based discount retailer which posted an overall sales gain of 34 per cent, and a sharp 20 per cent rise on a same store basis.

At Neiman Marcus, the rise was 5.7 per cent; at J.C. Penney, 8.6 per cent; Dayton Hudson, 6 per cent and Sears Roebuck, 8.9 per cent (all on a comparable store basis).

Not everyone fared this well; at May Department Stores, *same store sales were up by 4* per cent overall, while Woolworth managed a modest 3.1 per cent from domestic comparable stores.

- R.H. Macy plans to close five I Magnin stores, all its Fantasies by Morgan Taylor speciality stores and several other stores in its speciality store divisions in order to improve operating performance, Reuters reports from New York.

After the closures, it will have 19 I Magnins.

Macy said that it will focus the chain in the west coast and desert resort areas.

The company said that it will close three of its 37 Aeropostale speciality stores, about 15 of its 35 Charter Club speciality stores, and all its 34 Fantasies stores.

General Cinema lifted by gain

By Alan Friedman

GENERAL Cinema, the retailing, publishing and theatre group that last year acquired Harcourt Brace Jovanovich (HBJ), the Florida-based publisher, said net earnings in the quarter to January 31 were lifted by a $419.6m after-tax extraordinary gain.

The one-time benefit was due mainly to the purchase of HBJ debt at a discount as part of the acquisition.

Net income for the first quarter was $27.7m or 35 cents a share, compared with a loss of $11.1m and 14 cents in the three months to January 31, 1991. With the extraordinary item General Cinema's net profit was $447.2m.

Revenues declined to $883m from $886.6m a year ago. Operating profits were $44.3m against $45.9m last time.

Mr Robert Tarr, chief executive, said the results were the first indication of General Cinema's earnings potential following the HBJ acquisition. Interest expenses fell to $22.4m from $87m a year ago.

Operating earnings from the 63 per cent-owned Neiman Marcus department store chain were $10.8m, against $13.2m – these earnings will be consolidated into General Cinema's second quarter.

Operating profits from General Cinema's retail division were $25.6m, down from $30.5m. Publishing income increased to $9.9m from $5m while theatre income dropped to $8m, from $8.3m.

On Wall Street, General Cinema rose by $¼ to $20⅛.

Nat'l Semi improves to $14.5m

By Louise Kehoe in San Francisco

NATIONAL Semiconductor reported sharply higher earnings for its third quarter, ended February 23, helped by a pre-tax gain of $8.5m from patent licensing fees.

The US company reported net earnings of $14.5m, or 11 cents per share, against net earnings of $5m, or 2 cents, in the same quarter a year ago which included a restructuring credit of $21.1m from the sale of a production facility.

Sales for the quarter were $401.8m, up from $386.8m last year.

"We have achieved our announced goal of improving operating profit by reducing the break-even point to below $400m per quarter by the third quarter," said Mr Gilbert Amelio, National Semiconductor president and chief executive. "Profits from operations improved over the previous quarter and the comparable quarter a year ago, even though the third quarter traditionally shows the greatest seasonal weakness each year."

For the nine months, National Semiconductor reported a net loss of $147.6m or $1.49, including a first-quarter restructuring charge of $149.3m in connection with its plans to consolidate worldwide manufacturing operations.

Last year, the group recorded a net loss of $157m or $1.59. The 1991 results also included a restructuring charge of $120.1m.

Sales for the first nine months were $1.23bn, down slightly from $1.26bn last time.

During the third quarter National Semiconductor announced a $120m expansion of its Arlington, Texas, manufacturing facility. "This is our first focused major investment in accordance with our restructuring plan," Mr Amelio said.

National Semiconductor remains cautious about the current quarter.

INTERNATIONAL CAPITAL MARKETS

Norway 'ready to force bank mergers'

By Karen Fossli in Oslo

NORWAY may intervene to force the much-needed restructuring of its troubled banking system, Mr Tormod Hermansen, the chairman of the state-backed Bank Insurance Fund (BIF) warned yesterday.

Mr Hermansen said the state would implement a bank restructuring, including mergers, if the banks do not show signs of stabilising their finances and returning to profitability during 1993.

The BIF was established last year and since then has seen NKr11bn in state cash go to Den norske Bank, Christiania Bank and Fokus Bank, Norway's top three banks. Under the state's rescue programme it became the sole owner of Christiania and Fokus and majority owner of DnB.

Mr Hermansen said the state did not want to keep its shareholdings in the banks any longer than necessary but that it may take three to four years before the banks make sufficient earnings to service their equity capital on a stable basis.

Christiania warned on Wednesday that it needed at least NKr2.5bn in fresh state funding to meet new capital adequacy requirements. Fokus Bank has also said it needed additional cash.

Mr Hermansen said that Christiania would get sufficient state funding to allow it to operate within legal requirements.

Earlier this week the government warned the banks to do more to improve earnings and efficiency and cut costs.

To this end, Christiania and Fokus said they would raise interest rates on loans and increase fees for services and products.

DnB said that it was not planning to raise interest rates but would increase fees.

Coles Myer angered by downgrading

By Bruce Jacques in Sydney

MOODY'S, the US credit rating service, yesterday downgraded the debt rating of paper issued by a subsidiary of Coles Myer, Australia's biggest retailer, provoking an immediate and fiery response from the company.

The downgrading affects about A$1bn of paper issued by Coles Myer Finance, reducing its rating from A1 to Aa3.

Moody's said the action was based on a view of a weak Australian economy, more selective consumers and stronger competition.

These factors "will make it difficult for Coles Myer to both regain the grocery market share it has lost during the last few years and attempt to increase profitability and cash flow", the agency said.

"The rating action also recognises management's steps to improve operations, cut costs, maintain profitability and regain lost grocery market share."

Mr Brian Quinn, Coles Myer managing director, last night described the Moody's downgrading as extremely hard to justify. He said it was "extraordinary" that a credit change had been issued one week before release of the company's interim results.

"I would have thought the responsible course of action would have been to wait and find out the facts of our performance before making a pre-emptive judgment," he said.

Head quits at top Malaysian brokerage

MR CHUA Ma Yu, president of Rashid Hussain (RHB), the leading Malaysian firm of stockbrokers, is to quit after selling a substantial part of his stake in the firm, Reuter reports from Kuala Lumpur.

The announcement ended a nine-year partnership between Mr Chua and Mr Abdul Rashid Hussain, the chairman.

Mr Chua insisted the split was amicable, after rumours on the Malaysian stock market of a row between the two men. "There is no quarrel – all that talk is nonsense," he said. "After 17 years in the business this is a good time to go. Mr Rashid and I are good friends."

Mr Chua said he would still hold 4.2m shares "for long-term investment" after selling 11.6m this week.

RHB owns all of Rashid Hussain Securities, the stockbroking firm set up by Mr Rashid and Mr Chua in 1983. Since becoming the first stockbroking firm to be listed in Malaysia in 1989, RHB has grown rapidly. It now has a 20 per cent interest in Development & Commercial Bank.

Gilts continue to slide on fears over Budget funding

By Sara Webb in London and Patrick Harverson in New York

UK government bond prices continued to drop yesterday on political worries and concern over the funding implications of the forthcoming Budget.

Long-dated gilts fell by almost half a percentage point, partly on rumours that an opinion poll due out today would show the opposition Labour party five points ahead of the Conservative party in some key marginal seats. The Labour lead in the opinion poll, which appears in the Local Government Chronicle, was confirmed later yesterday.

The benchmark 11¾ per cent gilt due 2003/07 opened at 114¼ and traded at 114⅞ by late afternoon. The Liffe gilt futures contract fell from 96.16 to 96.06, which is an important resistance level, but then recovered some of the ground to end at 96.10. Trading volumes were heavy at 51,000 contracts.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	[illegible]	99.4554	-0.064	10.06	10.15	10.27
BELGIUM		9.000	08/01	101.9500	-0.150	8.67	8.64	8.68
CANADA *		8.500	04/02	99.8000	-0.250	8.56	8.33	8.42
DENMARK		9.000	11/00	102.4700	-0.150	8.57	8.50	8.55
FRANCE	BTAN	8.500	03/97	99.1228	-0.057	8.71	8.65	8.67
	OAT	8.500	11/02	100.0700	-0.290	8.48	8.39	8.44
GERMANY		[illegible]	01/02	100.7100	-0.440	7.89	7.83	7.92
ITALY		12.000	02/02	99.1300	-0.150	12.15†	12.11	12.27
JAPAN	No 119	4.800	06/99	95.1662	+0.294	5.74	5.70	5.76
	No 129	6.400	03/00	105.6672	[illegible]	5.39	5.35	5.45
NETHERLANDS		8.250	02/02	99.9300	-0.050	8.25	8.19	8.35
SPAIN		11.300	01/02	103.7000	-0.180	10.66	10.67	10.88
UK GILTS		10.000	11/96	101-19	-08/32	9.61	9.38	9.58
		9.750	08/02	101-13	-15/32	9.53	9.26	9.39
		9.000	10/08	97-05	-11/32	9.34	9.08	9.14
US TREASURY *		7.500	11/01	100-06	-10/32	7.47	7.34	7.32
		8.000	11/21	100-20	-1/32	7.94	7.86	7.78

London closing. *denotes New York morning session. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Traders said sterling's weakness in the foreign exchange markets undermined shorter-dated gilts, with the 10 per cent gilt due 1994 falling to 100¾ from 100⅞.

■ A DECLINE in weekly jobless claims that exceeded market forecasts left US Treasuries lower at both ends of the yield curve yesterday morning.

By midday the benchmark 30-year government bond was down ⅛ at 100⅞, yielding 7.924 per cent. The two-year note was also lower, down 1/32 at 99⅞, yielding 5.544 per cent.

The market opened in subdued form, primarily because many participants, especially on the retail side, were reluctant to commit themselves to active trading ahead of the key February employment report due out today.

Prices edged lower after it was announced that initial claims for state unemployment insurance fell 21,000 in the third week of last month. The figures suggested that today's February employment numbers will be broadly positive, and when added to other recent data, indicate that the long-awaited economic recovery is under way.

■ JAPANESE government bonds ended stronger on short-covering following a report that the Bank of Japan may cut the Official Discount Rate by 75 basis points after March 13.

According to a report from Johnson Smick International, the Washington-based consultancy, the discount rate may be cut by 0.75 of a percentage point from its current level of 4.5 per cent between March 13 and March 20.

Mr Yasushi Mieno, the governor of the Bank of Japan, is due to return to Japan on March 11 and many traders believe the central bank is extremely unlikely to cut interest rates while he is out of the country.

The yield on the benchmark No 129 JGB opened on a firmer note at 5.445 per cent, and closed at 5.40 per cent. The Bank of Japan's quarterly survey, due out today is expected to show that Japanese companies still have a bearish outlook on the economy, which would provide the central bank with an incentive to ease rates.

■ STRONG industrial output figures for former West Germany announced yesterday helped to push German government bond prices lower.

Industrial production in the area rose a provisional 5.8 per cent in January from the previous month after a drop of 4.2 per cent in December. The figure was much higher than expected.

In the futures market, the Liffe bund contract fell from its opening of 88.64 to 88.48 by late afternoon.

ASX returns to profit with A$1.1m net

THE Australian Stock Exchange (ASX) yesterday reported a net profit of A$1.1m for the six months to December 31, citing higher revenue and a fall in expenditure for its return to profit from last year's loss of A$4.1m, Reuter reports from Sydney.

Revenue rose to A$41.15 from A$36.78m a year earlier while expenditure fell to A$36.84m from A$41.28m.

The rise in revenue reflected increases from settlement fees, membership charges and listing and company fees, Mr Laurie Cox, chairman, said. The reduction in expenditure came from staff cuts and savings on equipment costs.

The ASX said market capitalisation grew to A$261bn during the period from A$196bn a year earlier. It said the strength of the market was reflected in equity capital raisings which amounted to A$5.5bn in the six months, up from A$3bn.

The largest capital raising was a partial float of the Commonwealth Bank of Australia which raised A$1.3bn. A rights issue by the National Australia Bank raised A$1bn. The ASX said 111 main board companies were delisted in the six months but 17 companies were listed.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on March 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¼	106	+⅛	6.66
ALBERTA PROVINCE 9 3/8 95	600	107⅛	107⅝		6.91
AUSTRIA 8 1/2 00	400	104⅝	105	-⅛	7.69
BANK OF TOKYO 8 3/8 96	100	103⅝	103⅞		7.42
BELGIUM 9 5/8 98	250	109⅛	109⅝	-⅛	7.69
BFCE 7 3/4 97	150	102	102⅜	+⅛	7.26
BNP 8 5/8 94	300	105⅛	105⅜	+⅛	6.08
BRITISH GAS 8 3/8 99	350	103⅝	103⅞	-⅛	7.75
CANADA 9 96	1000	107½	107⅞		6.79
CARCO 9 1/4 96	650	101⅞	102⅛	-⅛	8.70
CCCE 9 1/4 95	300	107⅛	107⅝	-⅛	6.50
COUNCIL EUROPE 8 96	100	103⅛	103⅝	+⅛	7.10
CREDIT FONCIER 9 1/2 99	300	109⅞	110⅛		7.62
DENMARK 8 1/4 94	150	104½	104⅞		6.10
DENMARK 9 1/4 95	1571	107⅛	107½	-⅛	6.50
ECSC 8 1/4 96	193	104⅛	104⅝		7.18
EEC 8 1/4 96	100	104⅛	104⅝	+⅛	7.05
EIB 7 3/4 96	250	102⅞	103⅛	+⅛	6.98
EIB 9 1/4 97	1000	108⅝	108⅞		7.38
ELEC DE FRANCE 9 98	200	106⅞	107⅛		7.56
EURO CRED CARD TST 9 94	325	103⅞	104⅛	-⅛	7.39
EUROFIMA 9 1/4 96	100	107	107⅜	+⅛	7.18
EXPORT DEV CORP 9 1/2 98	150	109⅛	109⅝	+⅛	7.62
FINLAND 7 7/8 97	200	101⅛	101⅜	-⅛	7.59
FINNISH EXPORT 9 3/8 95	200	107	107⅜	-⅛	7.10
FORD CAPITAL 9 3/4 97	[illegible]	106	106⅜	+⅛	8.28
GEN ELEC CAPITAL 9 3/8 96	300	107⅛	107⅝		7.25
GMAC 9 1/8 96	200	104⅛	104⅝		7.85
GUINNESS FINANCE 8 94	200	103⅛	103⅝		6.44
IBM INTL FIN 7 3/4 94	200	103⅛	103⅜	+⅛	5.98
IND BK JAPAN FIN 7 7/8 97	200	101⅞	102⅛	+⅛	7.47
INTER AMER DEV 7 5/8 96	200	102	102⅜	+⅛	7.07
ITALY 8 1/2 94	1500	105⅝	106	-⅛	6.11
JAPAN DEV BK 8 94	150	103⅞	104⅛	-⅛	6.05
KANSAI ELEC PWR 10 96	350	109⅛	109⅝		7.29
LTCB FIN 8 97	200	100⅞	101⅛		7.77
NEW ZEALAND 9 94	850	105⅛	105⅜	-⅛	6.50
NIPPON CRED BK 10 3/8 95	150	108⅝	108⅞	-⅛	7.42
NIPPON TEL & TEL 9 3/8 95	200	107⅛	107⅝		6.63
ONTARIO 8 1/2 01	600	102⅛	102⅜		8.16
ONTARIO HYDRO 11 5/8 94	200	109⅝	110	-⅛	6.36
OSTER KONTROLLBANK 8 1/2 01	200	104⅛	104⅝	-⅛	7.82
PETRO-CANADA 7 1/4 96	200	100⅞	101⅛	+⅛	7.03
QUEBEC HYDRO 9 3/4 98	150	108½	109	-⅛	8.02
QUEBEC PROV 9 98	200	105	105⅜		7.93
SAINSBURY 9 1/8 96	150	105⅞	106⅛	+⅛	7.57
SAS 10 99	200	106⅛	106⅝	-⅛	8.93
SBAB 9 1/2 95	500	107⅛	107⅝	-⅛	6.95
SNCF 9 1/2 98	150	109⅛	109⅝	-⅛	7.62
STATE BK NSW 8 1/2 96	200	102⅞	103⅛	-⅛	7.71
SWEDISH EXPORT 8 3/8 96	700	104⅛	104⅜		9.59
TOKYO ELEC POWER 8 3/4 96	300	105⅛	105⅜	-⅛	7.31
TOKYO METROPOLIS 8 1/4 96	200	104	104⅜		7.20
WORLD BANK 8 3/8 99	1500	105⅛	105⅜	-⅛	7.57
WORLD BANK 8 3/4 97	1500	107⅛	107⅝		7.10
XEROX CORPN 8 3/8 96	100	101⅞	101⅞	-⅛	7.98

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	101½	101⅞		8.06
AUSTRIA 6 3/4 99	750	94⅞	95⅛		7.71
BNP 8 1/4 01	200	102⅛	103	-⅛	7.86
DEUTSCHE FINANCE 7 1/2 95	1000	98⅞	98⅞	+⅛	7.94
EIB 5 3/4 98	400	90⅛	90⅝		7.86
EIB 6 1/4 99	600	91⅞	92⅛		7.81
EUROFIMA 8 3/4 96	400	103⅛	103⅞		7.82
FIRST INTERSTATE 5 3/4 96	100	86⅛	87⅛	-⅛	9.75
FORD MOTOR CREDIT 9 1/4 94	300	100⅛	100⅝		9.15
IND BK JAPAN FIN 5 5/8 96	200	91⅛	91⅛		8.19
INTER AMER DEV 9 00	300	106⅞	107⅛		7.88
IRELAND 6 1/2 99	300	93	93½		7.84
LUFTHANSA INT FIN 5 7/8 98	500	89⅛	89⅝		8.17
NAT BK HUNGARY 10 3/4 98	500	100	100⅛		10.72
SWEDEN 6 1/8 98	300	92	92		7.84
TURKEY 10 3/4 96	500	101⅛	101⅞	+⅛	10.36
WORLD BANK 0 15	2000	21⅛	22	-⅛	6.67
WORLD BANK 5 3/4 96	300	92⅝	93⅛		7.96
WORLD BANK 8 3/4 00	1250	105	105⅛	-⅛	7.89

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	91¼	92¼		6.84
AUSTRIA 4 5/8 98	100	91¼	91¾	+1	6.44
CHUBU ELEC POWER 6 3/4 01	300	100	100½	-⅛	6.74
COUNCIL EUROPE 4 3/4 98	250	91	91½	-⅛	6.63
EEC 5 1/2 00	100	91	92¼	-½	6.90
EIB 6 1/2 98	600	100⅛	100½	-⅛	6.42
ELEC DE FRANCE 7 1/4 06	100	103⅛	104	-½	6.85
FINLAND 5 3/8 95	150	95⅛	96	-⅛	6.88
GENERAL MOTORS 7 1/2 95	100	99⅛	100		7.68
JAPAN DEV BK 5 1/2 94	100	96⅛	97		7.51
KOBE 6 3/8 01	240	98⅛	99⅛	+⅛	6.55
NEW ZEALAND 4 7/8 99	200	89½	90¼	-⅛	6.83
QUEBEC HYDRO 5 08	100	77½	78½		7.45
WORLD BANK 5 03	150	86	86⅞		6.80
WORLD BANK 7 01	600	103½	103⅞		6.48

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99⅞	99½	+⅛	5.17
CREDIT FONCIER 5 1/4 94	20000	99½	100	+⅛	5.44
DENMARK 7 95	40000	104⅛	104⅞		5.28
EIB 4 5/8 94	40000	99⅛	99⅝	+⅛	4.87
ELEC DE FRANCE 5 5/8 96	30000	100½	101	+⅛	5.49
FINLAND 6 3/4 96	50000	103⅛	103⅞	+⅛	5.76
INTER AMER DEV 7 1/4 00	30000	109⅛	109⅝	+⅛	5.76
KANSAI ELEC PWR 4 5/8 94	60000	98⅛	98½		5.57
NIPPON TEL & TEL 5 7/8 96	50000	101⅞	102⅛	+⅛	5.39
NORWAY 5 1/8 95	50000	99⅛	99⅞	+⅛	5.26
SNCF 6 3/4 00	30000	106⅞	107⅛	+⅛	5.66
SWEDEN 5 5/8 95	20000	100⅞	101⅛	+⅛	5.42
WORLD BANK 6 3/4 00	50000	107⅛	107⅝	+⅛	5.58

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.92
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅛	99⅛		9.17
WORLD BANK 8 96 LFr	1000	96⅛	97⅛		8.96
ENERGIE BEHEER 8 3/4 98 Fl	500	103⅛	103⅝		8.09
UNILEVER 9 00 Fl	500	105⅛	105⅜		8.10
ALBERTA PROVINCE 10 5/8 96 C$	500	105	105⅜		9.05
BELL CANADA 10 5/8 99 C$	150	105⅛	106	-⅛	9.58
BRITISH COLUMBIA 10 96 C$	500	103⅛	103⅝		9.06
EIB 10 1/8 98 C$	130	104⅛	105⅛	-⅛	9.17
ELEC DE FRANCE 9 3/4 99 C$	275	102⅞	103⅛	-⅛	9.23
FORD CREDIT CANADA 10 94 C$	100	100⅞	101⅛	-⅛	9.76
GEN ELEC CAPITAL 10 96 C$	300	103	103⅜		9.10
KFW INT FIN 10 01 C$	400	103⅛	104	-⅛	9.43
NIPPON TEL & TEL 10 1/4 94 C$	200	104⅛	105⅛	-⅛	9.40
ONTARIO HYDRO 10 7/8 99 C$	500	106⅛	106⅝		9.63
OSTER KONTROLLBANK 10 1/4 99 C$	150	104⅞	105⅛	-⅛	9.29
QUEBEC PROV 10 1/2 98 C$	200	104⅛	105		9.57
BELGIUM 9 1/8 96 Ecu	1250	101⅞	102	-⅛	8.55
CREDIT LYONNAIS 9 96 Ecu	125	98⅞	100⅛	-⅛	9.32
DENMARK 7 5/8 96 Ecu	250	94	94⅝	-⅛	9.43
EEC 7 3/8 94 Ecu	200	97	97⅝	-⅛	9.36
EIB 10 97 Ecu	1125	106⅛	106⅝		8.34
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅝	106⅞	-⅛	8.68
ITALY 10 3/4 00 Ecu	1000	111⅞	112	-⅛	8.65
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅞	104⅞	-⅛	8.41
BP AMERICA 12 1/4 96 A$	100	107⅛	107⅝	+⅛	10.00
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅛	114⅝		10.81
EKSPORTFINANS 12 3/8 95 A$	75	108	108⅜		9.36
EUROFIMA 14 5/8 94 A$	75	111⅛	111⅝	+⅛	8.75
MCDONALDS CANADA 15 95 A$	100	113⅞	114	+⅛	9.96
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅛	110⅛		9.04
STATE BK NSW 14 1/4 99 A$	100	115⅛	116⅛		11.04
UNILEVER AUSTRALIA 12 98 A$	150	107⅞	108⅛		10.24
VOLKSWAGEN INTL 15 94 A$	100	110⅞	111		9.30
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108	-⅛	10.27
ALLIANCE & LEICS 11 3/8 97 £	100	102⅞	102⅞	-⅛	10.73
BRITISH GAS 12 3/4 95 £	300	106⅝	107		10.02
BRITISH LAND 12 1/2 16 £	150	106⅜	106⅞	-⅛	12.04
DEUTSCHE BK FIN 11 94 £	225	101⅞	102⅛		9.90
EIB 10 97 £	536.5	101	101⅜	-⅛	9.73
FINLAND 10 1/8 97 £	100	100⅞	101⅛	-⅛	9.93
ITALY 10 1/2 14 £	400	103	103⅜	-⅛	10.15
LAND SECS 9 1/2 07 £	200	87⅞	88⅛	-⅛	11.19
NORWAY 10 1/2 94 £	[illegible]	[illegible]	101⅛	+⅛	9.75
ONTARIO 11 1/8 01 £	100	105	[illegible]	-⅛	10.24
SEVERN TRENT 11 1/2 99 £	150	103⅞	104	-⅛	10.73
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	107	+⅛	10.52
TOKYO ELEC POWER 11 01 £	150	105⅛	105⅝	-⅛	10.08
WORLD BANK 11 1/4 95 £	100	103⅛	103⅞	-⅛	9.98
ABBEY NATIONAL 0 96 NZ$	100	65⅞	66⅜		9.54
BNP 12 96 NZ$	50	108⅛	109⅛		9.40
CEPME 10 95 FFr	2000	102⅞	103	-⅛	9.01
ELF-AQUITAINE 9 99 FFr	600	100⅞	101⅛	-⅛	8.84
EURATOM 7 5/8 98 FFr	500	94	95	+⅛	8.89

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.56	99.66	10.7675
BANCO ROMA 0.03 01	200	92.88	94.29	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.6875
BFCE -0.02 96	350	100.21	100.31	4.9175
BNP 05	300	97.63	98.63	5.5625
BRITANNIA 1/10 96 £	150	99.09	99.29	10.7875
CCCE 06 ECU	200	99.91	100.01	9.8594
CITIZENS FED 0.15 96	100	99.45	99.95	5.9625
CREDIT FONCIER -1/16 98	200	100.12	100.22	5.3438
DENMARK -1/8 96	1000	99.69	99.79	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.06	9.5938
ELEC DE FRANCE 1/8 99	400	101.31	102.06	5.2500
FERRO DEL STAT 94	200	100.98	101.36	4.4375
HALIFAX 1/10 94 £	200	99.92	100.02	10.5375
IRELAND 98	300	99.64	99.74	4.4600
ITALY 00	500	100.95	101.25	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.40	99.55	11.0000
LLOYDS BANK 1/10 PERP S 3	600	78.50	80.50	4.5375
MITSUI FIN ASIA 1/8 96	100	99.96	100.08	5.2500
NAT WEST FIN 3/16 05	400	93.13	94.13	5.5000
NEW ZEALAND 1/8 6	250	[illegible]	[illegible]	[illegible]
RENFE 98	500	100.08	100.18	5.0000
SOCIETE GENERALE 96	300	99.79	99.89	5.6250
STATE BK VICTORIA 0.05 99	125	98.69	98.94	4.3625
UNITED KINGDOM -1/8 96	4000	100.01	100.04	4.2500
YORKSHIRE BS 1/10 94 £	165	99.57	99.67	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	129¼	131	
CHUBB CAPITAL 6 98	250	86	103½	104½	+33.85
EASTMAN KODAK 6 3/8 01	300	50.67	102⅝	103⅝	+17.51
GOLD KALGOORLIE 7 1/2 00	65	1.0554	85	86	+45.19
HANSON 9 1/2 06 £	500	2.5875	101⅛	101⅞	+21.42
HAWLEY 6 02 PREF	400	19.1	91½	93⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	117½	118½	
LAND SECS 6 3/4 02 £	84	6.72	82½	83½	+27.16
LASMO 7 3/4 05 £	90	5.64	76½	77½	
MITSUI BANK 2 5/8 03	200	2337½	68½	70½	+19.15
MOUNT ISA FIN 6 1/2 97	100	2.283	95⅛	96⅛	+15.89
OGDEN 6 02	85	39.077	82⅛	83⅛	+38.13
SEGA ENTERPRISES 3 1/2 96	200	13018	104⅛	105⅛	+1.02
SMITH & NEPHEW 4 02 £	90	1.775	122	123⅛	+45.58
SUMITOMO BANK 3 1/8 04	300	3606.9	64⅛	65⅛	+28.65
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	90⅛	91⅛	
THORN EMI 5 3/4 04 £	103	7.45	120⅛	121⅛	+12.40

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Commercial Union issue declined by many firms

By Simon London

COMMERCIAL Union, the UK insurance company, yesterday stirred controversy in the international bond market, launching a £100m issue in which leading sterling underwriting firms declined to participate.

The deal was lead managed by Kleinwort Benson. It was the firm's first lead-management role in the mainstream of the Eurosterling bond market since August 1989.

The 10⅞ per cent bonds were priced to yield 110 basis points more than UK government bonds of a comparable maturity, seen by many underwriting firms as insufficient to attract investors. Syndicate officials at rival firms said that a yield spread of 120 to 125 basis points was necessary to sell the bonds.

In addition, the government bond market continued to trade lower yesterday following a full-point drop in prices on Wednesday. The benchmark 10-year gilt closed the day on a yield of 9.52 per cent, from 9.37 per cent Wednesday morning.

As a result of these factors, many established sterling bond houses declined to participate in the deal. Cazenove, the stockbroker which also acts as broker for Commercial Union, agreed to be co-lead manager to the deal. Other participants were Commerzbank, DG Bank, Hoare Govett and Morgan Stanley.

INTERNATIONAL BONDS

The lead manager, which underwrote around 75 per cent of the issue, said that it found demand from a number of UK institutional investors.

Although Commercial Union has not been hit by the property-related insurance claims which have damaged many of its rivals, all UK insurers are under financial pressure. This has discouraged overseas investors from buying insurance company bonds.

At the close of trading, the lead manager said that the bonds were trading at 98¾ bid, having been re-offered to investors at a fixed price of 99.236. At this level the yield spread was 115 basis points more than UK government bonds.

Elsewhere, activity was muted with no borrowers willing to launch large new issues ahead of US employment data released today. British Gas launched a Ecu200m two-year deal, lead managed by Swiss Bank Corporation and targeted at retail investors.

Banco Rio de la Plata, one of Argentina's top banks, launched its anticipated $100m three-year issue, lead managed by Merrill Lynch. Participants reported firm demand for the 9¼ per cent bonds, which were priced to yield 350 basis points more than US Treasury paper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Bco Rio de la Plata(b)†	100	9¼	98.5414	1995	1¼/¾	*Merrill Lynch*
ECUs						
British Gas Int.Fin.(a)†	200	9	101.075	1994	1⅛/⅝	SBC
STERLING						
Commercial Union(a)†	100	10⅞	100.836	2002	2/1.6	Kleinwort Benson
AUSTRALIAN DOLLARS						
Victorian Pub.Fin.Auth (a)†	200	zero	35.80	2002	1⅝/⅞	Hambros Bank
D-MARKS						
A/B Spintab(a)†	150	8½	102¼	1997	2/1¼	*Merrill Lynch Bk AG*
Nohmi Bosai(a)♦	70	4⅝	100	1996	2¼/1½	Daiwa Europe GmbH
Tachi-S Co.(a)♦	55	4⅝	100	1996	2¼/1½	WestLB
GUILDERS						
Bay'ishe Hypotheken(a)†	200	8¼	100.40	1997	1/⅝	Rabobank
YEN						
European Investment Bk(c)†	20bn	5	99.55	1995	⁵⁄₁₆/⅛	Daiwa Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon payable semi-annually. Non-callable. c) Fungible with existing Y80bn. Non-callable.

Barbados to open small-companies market

THE BARBADOS Stock Exchange is launching an unlisted securities market to assist small companies which are highly geared and in need of capital, writes **Canute James in Kingston.**

The requirements for admission to the new market will be less demanding than those for the main market, according to Mr Anthony Johnson, general manager of the exchange.

"In the circumstances confronting the Barbadian economy, it is obvious that many small, innovative business enterprises with growth potential are either undercapitalised, too highly geared or simply find avenues to raising capital inaccessible," Mr Johnson said.

"Such corporate entities should find the unlisted securities market an open door to marketability and enhanced liquidity of capital issues, thus preparing the way for advancement to the official list," he added.

To qualify for admission on the new market, companies must have performed well for at least two consecutive years, and have a minimum equity of B$200,000 (US$100,000).

SEC gives go-ahead to 'incubator' exchange

By Patrick Harverson in New York

THE Securities and Exchange Commission, the US watchdog, yesterday gave the go-ahead to the American Stock Exchange's (ASE) plan to create a new "incubator" stock market for small companies.

The SEC's approval means that the ASE can launch its Emerging Company Marketplace (ECM) as planned on March 18. It will list companies with a market value of less than $2.5m which are too small to meet the exchange's regular listing standards.

The ECM will compete directly with the Nasdaq over-the-counter market run by the National Association of Securities Dealers. The Nasdaq has traditionally been regarded as the first home for small and start-up companies.

The ASE hopes that between 15 and 20 stocks will be listed on the ECM for opening day. All the newly listed stocks will be subject to normal regulatory requirements such as last sale reporting, trading and marketmaker allocation rules, and surveillance procedures.

The new companies, however, will be exempt from the ASE's rules mandating independent directors, audit committees, shareholder quorums and common stock voting rights.

The ASE is setting up the new market to make it easier for very small companies to raise funds through equity issues. At the moment, newly created and small companies are finding it difficult to borrow money because US banks have tightened their credit standards in the recessionary business climate.

The SEC has already this year proposed changes to make it easier for small companies to raise money on the capital markets. Those proposals included: allowing small companies to issue up to $1m in unrestricted securities and canvas the public directly for investor interest; widening eligibility to use a simplified disclosure document for share offerings; and allowing small companies to file "junior" quarterly and year-end reports.

Buying into Mexico's new elite

Damian Fraser reports on the privatisation of the nation's banks

On Sunday night, a group of Mexican investors led by Mr Eduardo Creel, a former broker who made his fortune in Mexico's money markets, won a privatisation auction with an astonishing bid of $846m, or 29 times last year's earnings.

This was for a medium-sized Mexican bank that has been beset by bad loans and which many outside Mr Creel's group of investors doubt will thrive.

While 29 times earnings was the highest multiple paid yet in the Mexican bank privatisation programme, few in Mexico seemed surprised, for the financial community has become accustomed to such elevated prices. Bancreser fetched 50 times earnings, but only because profits for the year were abnormally low.

In the past nine months, the government has sold 12 banks in competitive auctions for 30.75bn pesos ($10bn), at an average of 21 times historic earnings.

Worldwide, a privatised bank is generally valued at around 14 times earnings, according to First Boston, the investment bank advising Mexico on the privatisations.

The newly formed financial groups, comprising privatised banks and brokerages, are now among the biggest groups in the world by market value.

As critics point out, these groups are in effect controlled by just a few thousand wealthy Mexican investors. Banamex-Accival – the holding company comprising Banamex, Mexico's largest bank, and the brokerage house Accival – is worth around $7.7bn, compared with $5.84bn for Citicorp.

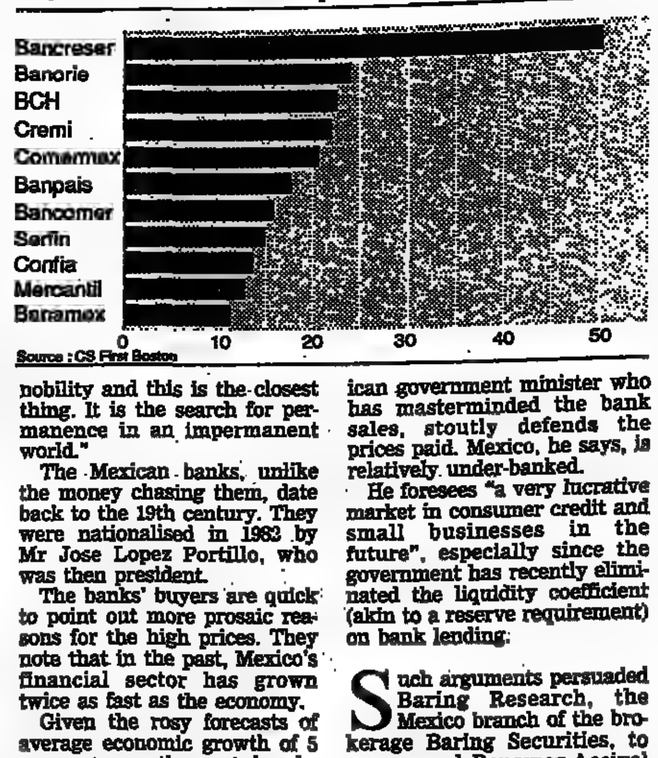
The government is in the enviable position of being chastised for selling the banks for too much. Mr Mario Rodriguez, director of banking at Grupo Pulsar, a large conglomerate, warns: "No one in their right mind would pay 3.7 times book value and expect their money back in under 75 years."

Pulsar is waiting for the second round, when it hopes to pick up a bank cheaply.

Many Mexicans say the government is in fact selling power, or status, to which money is no object. As Mr Rodriguez says: "The new bankers are buying membership to a very distinguished club."

Another Mexican broker put it differently: "We have no nobility and this is the closest thing. It is the search for permanence in an impermanent world."

Mexican banks' sale price to earnings ratio



Source: CS First Boston

The Mexican banks, unlike the money chasing them, date back to the 19th century. They were nationalised in 1982 by Mr Jose Lopez Portillo, who was then president.

The banks' buyers are quick to point out more prosaic reasons for the high prices. They note that in the past, Mexico's financial sector has grown twice as fast as the economy.

Given the rosy forecasts of average economic growth of 5 per cent over the next decade, bank earnings should increase by 10 per cent over the same period. Furthermore, Mexican banks are generally inefficient, use outdated technology and are overmanned. This, they say, shows that there is room to cut costs.

Mr Guillermo Ortiz, the Mexican government minister who has masterminded the bank sales, stoutly defends the prices paid. Mexico, he says, is relatively under-banked.

He foresees "a very lucrative market in consumer credit and small businesses in the future", especially since the government has recently eliminated the liquidity coefficient (akin to a reserve requirement) on bank lending.

Such arguments persuaded Baring Research, the Mexico branch of the brokerage Baring Securities, to recommend Banamex-Accival (Banacci), Mexico's largest financial group, for a "long-term buy", and forecast average annual growth of earnings of 12.3 per cent over the decade.

Nevertheless, Barings highlights considerable risks. As the brokerage says: "This favourable sectoral outlook is clouded by the uncertain outcome of Mexico's big bang, involving several simultaneous changes in the financial sector – deregulation, privatisation, broker-bank mergers into financial groups, and entry of foreign institutions."

The deregulation of Mexico's financial sector, and the imminent arrival of foreign banks with the likely passage of the North American free trade agreement, is likely to introduce considerably more competition, and cut profit margins. Currently, the spread between borrowing and lending is around 6 per cent, about twice that in western Europe.

Foreigners are likely to team up with Mexico's stronger banks, leaving the weaker ones even more vulnerable.

This week Bancomer, the second largest bank, launches the road show for an international public offering for $500m, to be shortly followed by a similar offering by Banamex.

Last week, Banamex formed a joint venture with American Express to provide financial services in Mexico.

In the fight for the share of the retail market, Mexico's large banks – even without foreign help – will be at an advantage relative to the medium and small ones, since their average costs tend to be lower.

As one US bank analyst remarks: "It's one thing to pay 12 to 14 earnings for 30 per cent market share (for example, Banamex). But paying 20 to 25 earnings for a 3 to 5 per cent market share, without a distinct market niche: how do you justify that?"

But at this late stage, with just six banks left on the block, passion may have overtaken reason. The last two banks have gone for record sums, as competition between frustrated investors has heated up. Many of those still without banks have promised to carry on bidding high until they win.

The government likes to say the sure winners are Mexico's taxpayers, who will finally get hold of some of the money hoarded by Mexico's super-rich. But the strategy is not without its risks.

Financial power has been handed over to a small group of people who already control much of Mexico's wealth.

State promotes highway bonds

THE MEXICAN government's plan to finance new highways through the sale of toll concessions is creating the country's first revenue bond market, Bloomberg reports from Mexico City.

International investors may find the new securities – bonds backed by the revenue generated by toll roads – attractive, said Mr Javier Magana, a director of Probursa, a Mexican brokerage.

"If there's a growth area in Mexico it will be infrastructure," Mr Magana said. "It could be an interesting way for foreign investors to diversify their Mexican holdings."

Mexico, which had 2,500km of roads when President Salinas took office in 1989, has said it hopes to build another 3,500km for $10bn during the president's six-year term.

The government wants to finance road construction by awarding toll concessions to private companies, or by selling existing roads and using the revenues to construct new highways in less-developed areas of the country.

Yields on the highway bonds can be attractive. The eight-year bonds for the Manzanillo-Armeria highway that mature in November 1999, guarantee investors 20 per cent or 300 basis points over the highest yielding short-term Treasury bill, currently 14.1 per cent, whichever is greater.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday March 5 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Mar 4: Index No.	Tue Mar 3: Index No.	Mon Mar 2: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (178)	798.15	−0.1	8.07	5.98	15.99	1.41	799.05	796.39	795.03	866.08
2	Building Materials (23)	969.48	−0.3	7.18	6.41	18.79	0.44	972.42	970.18	973.62	1159.92
3	Contracting, Construction (28)	900.52	−0.4	8.68	8.10	16.68	1.32	904.20	904.84	896.12	1402.14
4	Electricals (7)	2477.10	+0.1	8.49	6.05	15.51	1.47	2473.44	2429.43	2434.60	2342.41
5	Electronics (26)	1880.36	−0.6	9.66	4.56	13.12	1.86	1890.84	1860.20	1854.05	1867.55
6	Engineering-Aerospace (8)	344.16	+1.4	9.84	7.55	13.22	3.78	339.39	336.04	334.90	444.27
7	Engineering-General (43)	497.42	+0.6	9.32	4.75	13.25	1.21	494.47	491.90	491.52	448.36
8	Metals and Metal Forming (10)	325.54	+0.3	2.13	10.52	–	0.00	324.43	321.63	319.99	485.06
9	Motors (14)	318.76	+0.2	7.30	7.46	18.76	0.00	318.10	311.50	314.22	354.59
10	Other Industrial Materials (19)	1576.47	−0.5	7.77	5.22	15.26	0.69	1583.81	1598.45	1591.44	1505.20
21	CONSUMER GROUP (188)	1661.15	−0.5	7.19	3.37	17.03	4.74	1669.96	1680.13	1677.39	1390.74
22	Brewers and Distillers (23)	2083.74	−0.8	7.70	3.40	15.66	7.92	2101.13	2116.06	2117.41	1723.71
25	Food Manufacturing (18)	1266.00	....	8.61	4.08	14.31	2.11	1266.66	1266.18	1268.45	1159.58
26	Food Retailing (17)	2647.51	−0.7	8.33	3.13	15.59	4.06	2665.44	2664.36	2649.98	2548.27
27	Health and Household (24)	4278.28	−0.3	6.29	2.44	18.03	15.12	4291.22	4343.77	4344.00	3021.12
29	Hotels and Leisure (23)	1296.07	+0.4	6.92	5.20	18.40	8.54	1291.21	1295.49	1300.31	1348.57
30	Media (24)	1553.61	−0.9	6.29	3.52	20.00	2.97	1568.43	1586.16	1572.05	1412.46
31	Packaging, Paper & Printing (17)	761.85	−0.5	6.89	4.40	17.34	0.22	765.70	763.98	759.73	651.03
34	Stores (32)	1062.14	−1.1	6.55	3.40	19.07	1.91	1074.12	1078.34	1073.13	874.31
35	Textiles (10)	659.65	+0.5	6.95	4.71	18.35	0.53	656.22	650.33	650.08	531.65
40	OTHER GROUPS (116)	1231.66	−0.6	9.78	5.38	12.94	6.41	1238.74	1238.77	1233.70	1102.15
41	Business Services (16)	1380.38	−1.0	6.66	4.67	19.09	0.27	1394.27	1398.89	1400.79	1158.13
42	Chemicals (21)	1510.11	−0.2	6.94	4.85	17.63	0.59	1513.58	1513.61	1507.74	1264.62
43	Conglomerates (11)	1341.08	+0.5	10.64	7.55	11.48	3.18	1334.35	1338.22	1336.47	1528.93
44	Transport (14)	2399.81	−1.5	5.29	4.72	24.97	2.46	2435.45	2424.56	2417.52	2188.40
45	Electricity (16)	1227.59	−1.8	14.58	6.06	8.95	17.21	1249.93	1251.97	1239.33	1148.78
46	Telephone Networks (4)	1423.85	−0.7	11.02	4.40	11.05	16.02	1434.28	1425.84	1416.46	1538.54
47	Water (10)	2443.94	−1.2	17.45	6.51	6.31	0.00	2473.35	2468.08	2441.96	2477.08
48	Miscellaneous (24)	1783.44	+0.8	5.73	5.49	23.84	1.18	1774.56	1794.38	1802.93	1890.13
49	INDUSTRIAL GROUP (482)	1307.47	−0.5	8.14	4.45	15.34	4.43	1313.61	1316.95	1313.81	1201.60
51	Oil & Gas (18)	2030.10	−1.4	9.42	6.99	13.98	36.07	2058.25	2055.64	2038.63	2380.61
59	500 SHARE INDEX (500)	1375.95	−0.6	8.27	4.72	15.19	6.70	1383.71	1386.69	1382.54	1301.21
61	FINANCIAL GROUP (86)	722.13	−1.4	–	6.32	–	2.61	732.05	732.04	727.04	822.40
62	Banks (9)	904.56	−1.3	4.16	5.97	56.43	6.20	916.57	916.71	911.57	908.73
65	Insurance (Life) (6)	1440.96	−1.2	–	5.93	–	0.00	1458.93	1452.83	1444.62	1460.39
66	Insurance (Composite) (7)	471.73	−2.6	–	8.10	–	0.00	484.46	480.01	468.62	709.18
67	Insurance (Brokers) (10)	993.56	−0.7	7.78	6.72	16.91	2.37	1000.36	1001.23	981.40	1095.59
68	Merchant Banks (7)	469.00	−0.5	–	4.56	–	0.00	471.39	473.05	473.20	420.07
69	Property (33)	717.56	−1.2	8.01	6.32	17.08	0.93	726.56	734.43	738.96	1043.73
70	Other Financial (14)	246.41	−0.2	6.07	7.08	16.36	0.89	246.91	246.73	246.34	286.31
71	Investment Trusts (68)	1186.75	−0.7	–	3.72	–	4.11	1194.95	1193.86	1192.48	1186.33
99	ALL-SHARE INDEX (654)	1220.33	−0.7	–	4.08	–	5.72	1228.42	1230.64	1226.46	1183.79

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 4	Mar 3	Mar 2	Feb 28	Feb 27	Year ago
FT-SE 100 SHARE INDEX‡	2538.3	−20.1	2555.4	2534.9	2558.4	2565.4	2554.3	2562.1	2562.0	2437.7

FIXED INTEREST

	PRICE INDICES	Thu Mar 5	Day's change %	Wed Mar 4	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (27)	122.46	−0.14	122.63	2.27	1.65
2	5-15 years (25)	135.41	−0.46	136.04	1.86	3.11
3	Over 15 years (9)	146.26	−0.51	147.01	2.97	0.88
4	Irredeemables (6)	161.54	−0.45	162.27	2.35	1.50
5	All stocks (67)	133.90	−0.35	134.37	2.17	2.40
	Index-Linked					
6	Up to 5 years (2)	170.44	−0.07	170.56	0.20	1.37
7	Over 5 years (9)	148.73	−0.35	149.26	0.71	0.90
8	All stocks (11)	150.59	−0.31	151.06	0.64	0.95
9	Debs & Loans (62)	117.52	−0.23	117.79	2.25	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Thu Mar 5	Wed Mar 4	Year ago (approx.)
	British Government				
1	Low	5 years	8.80	8.69	9.33
2	Coupons	15 years	9.31	9.26	9.61
3	(0%-7¾%)	20 years	9.31	9.26	9.77
4	Medium	5 years	9.56	9.47	10.19
5	Coupons	15 years	9.41	9.34	10.03
6	(8%-10¾%)	20 years	9.37	9.31	9.96
7	High	5 years	9.79	9.70	10.35
8	Coupons	15 years	9.52	9.44	10.20
9	(11%-)	20 years	9.44	9.38	10.10
10	Irredeemables	†	9.48	9.44	9.98
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.54	3.52	3.70
12	Inflation rate 5%	Over 5 yrs	4.33	4.31	4.12
13	Inflation rate 10%	Up to 5 yrs	2.88	2.86	2.29
14	Inflation rate 10%	Over 5 yrs	4.16	4.13	3.94
15	Debs &	5 years	10.95	10.91	11.86
16	Loans	15 years	10.72	10.69	11.62
17		25 years	10.55	10.52	11.41

‡Opening index 2555.4; 9 am 2552.5; 10 am 2547.9; 11 am 2539.0; Noon 2538.5; 1 pm 2540.7; 2 pm 2542.1; 2.30 pm 2542.0; 3 pm 2536.4; 4.10 pm 2539.5; (a) 8.30am (b) 3.05pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel. 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	72	8
Other Fixed Interest	1	0	8
Commercial, Industrial	207	283	985
Financial & Property	68	191	531
Oil & Gas	14	26	52
Plantations	0	0	9
Mines	43	17	90
Others	52	27	57
Totals	385	624	1,740

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
500	F.P.	–	548	495	Amicable Smlr. Units	495		N3.1	–	0.8	–
‡	F.P.	–	75	61	Capital Industries 1p	61		–	–	–	–
100	F.P.	–	104	99	Exeter Prfd. Capital	102		FQ.6	–	0.8	–
70	F.P.	–	72	63	Fleming Inc & Cap Tst Inc	63	−2	F4.73	–	10.0	–
100	F.P.	–	102	94	Do. Units	94	−2	F4.73	–	6.7	–
30	F.P.	–	32½	30½	Do. Zero Div. Pf.	32		–	–	–	–
–	F.P.	–	39	23	Fleming Japanese Wrnts	36		–	–	–	–
£10½	F.P.	–	£12½	£10½	Latin Am Inc & Appr. 1c	£12½		–	–	–	–
100	F.P.	–	99	97	Lloyds Smlr Co's Pckg Uts	97		–	–	4.8	–
38	F.P.	–	39	34	Do. Dividend	37		–	–	–	–
62	F.P.	–	62	57	Do. Capital	60		–	–	–	–
–	F.P.	–	11	4	Multitrust Warrants	11		–	–	–	–
–	F.P.	–	104	102	Riv & Mrc Tst Inc12 1/2p	103		N9.2	–	11.9	–
–	F.P.	–	123½	117	Do. Sqpd Prf 12 1/2p	123½		R5.6	–	6.1	–
115	F.P.	–	127	121	Rosebys	127		L4.3	1.7	4.5	14.6
–	F.P.	–	160	158	Ulster-Walker (RFD)	160		5.5	1.3	4.6	21.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
100p	F.P.	–	101½p	100½p	Bank of Ireland Units Non-Cum Prf A	100½p	−½
10p	F.P.	–	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	–	107½	98½	Cambourne Inds. 10½pc Rd. Deb. 2001	105½	
34.71	F.P.	–	35¼	35¼	Exeter Prfd. Capital Zero Deb. 2002	35¼	
100p	F.P.	–	106p	100p	Fidelity Euro. Values Equity Ln 2001	106p	
105	F.P.	–	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	105	
100p	F.P.	–	105½p	99½p	NatWest Bank 9pc Prf Series A	101½p	
‡	F.P.	–	75p	68p	Wembley 6p (Net) Cnv Cum Prf 1999	68p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
205	Nil	30/3	38pm	18½pm	BTP 10p	21pm	
212	Nil	27/3	37pm	31pm	British Vita	31pm	
105	Nil	3/4	12pm	1¼pm	Bromsgrove Inds.	1½pm	
415	Nil	20/3	80pm	50pm	ECC	72pm	
8	Nil	26/3	4pm	1¼pm	Maddox 5p	3½pm	
115	Nil	12/3	16pm	12pm	Porvair 2p	16pm	
58	Nil	30/3	12½pm	9½pm	Senior Engineering 10p	11½pm	+½
30	Nil	11/3	4½pm	2½pm	Wembley 5p	2½pm	−½
4	Nil	3/4	¼pm	¼pm	West Trust	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings — March 2
- Last Dealings — March 13
- Last Declarations — June 11
- For settlement — June 22

3-month call rate indications are shown on this page.

Calls in Aran Energy, Brent Walker Pref., Conroy Petrlm., Dowty, Euro Disney, GRE, Ivernia West, LASMO, Midland Bank, Premier Cons., Racal Elects., TR Technology and Wharfedale.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*644)	600	57½	67½	85½	6	20	25½
	650	24½	39½	57½	24	41½	47½
	700	8	21	37½	57½	73½	78½
ASDA (*38)	30	9	10½	11½	1	2½	3½
	34	5½	–	–	2	–	–
	40	–	4½	6½	–	6	7
Brit. Airways (*257)	240	39½	38½	43½	4½	8	11½
	260	17½	25½	33	8½	15½	19½
	280	7	13½	23½	17½	28	30½
SmKl Beecham A (*907)	850	71½	96½	121	9½	20½	30½
	900	36½	65½	91½	25½	39½	49½
	950	16	42½	66½	56½	66½	75½
Boots (*463)	420	52	58	68	2½	5½	7½
	460	20	28	42½	8½	18	21
	500	4	11½	22½	33	41½	43
B.P. (*265)	260	14	19	23	5½	11	14
	280	4½	10½	14½	16	22	26
British Steel (*73)	70	5½	7½	10	2½	4½	6
	80	1½	3½	4½	8½	9½	10½
Bass (*550)	550	22	34½	50½	16	25	30
	600	5½	15½	28	50½	59½	57½
C & Wire (*603)	600	22½	42½	56½	14½	29½	38½
	650	6½	19½	32½	47½	57½	59½
Courtaulds (*526)	500	37½	50½	64½	6	16	22
	550	2½	10½	17	52½	54½	61
Com. Union (*463)	460	10½	25½	30½	20	25½	33½
	500	2½	10½	17	52½	54½	61
Fisons (*384)	360	34	44½	59½	8½	17½	22
	390	15½	29½	42½	21½	32	35½
GKN (*354)	330	24	32½	37½	6	12	17½
	360	6	15½	21½	22	26	32½
Grand Met. (*904)	900	35½	65½	84½	20½	33½	41½
	950	14½	39½	58½	52	60½	67½
I.C.I. (*1306)	1300	29½	68½	89½	33½	66½	80
	1350	13	46½	–	91½	100	–
Kingfisher (*526)	500	39½	47½	57½	6½	17½	21½
	550	12	22½	32½	29½	39½	45½
Ladbroke (*229)	220	15	21½	28	9	12½	16½
	230	9	–	–	13½	–	–
Land Secur (*429)	420	19½	25½	31½	5½	17½	18½
	460	4	7½	13½	32	45½	47½
M & S (*316)	300	22½	29	36½	3½	8	11½
	330	6	12½	22½	16½	22½	24
Sainsbury (*390)	390	14½	23	32½	10½	18	22
	420	3½	10½	19	30½	36½	39½
Shell Trans. (*445)	420	34	47½	55	3½	7½	13
	460	9½	23½	31	20	23½	29
Storehouse (*108)	100	11½	14½	16½	2½	5	7½
	110	5½	9	11½	6	9½	11½
T Ralgar (*131)	130	10½	13½	18½	6½	12½	15½
	140	6	10	15½	12½	19	22
Utd. Biscuits (*412)	390	27	35½	44½	5½	10½	15½
	420	7½	19	27½	21	25	30
Unilever (*942)	900	53½	73½	100	12½	21½	28½
	950	22½	46½	73	34½	43½	48½
Ultramar (*233)	220	23½	–	–	–	–	–
	240	10½	–	–	14½	–	–
Option		**May**	**Aug**	**Nov**	**May**	**Aug**	**Nov**
Brit Aero (*334)	330	25½	38½	44	15½	22	28
	360	11½	25	–	31½	35½	–

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA (*564)	550	40½	53½	66½	14½	22	24
	600	17	29	40½	45½	46½	49½
BAT Inds (*625)	600	37½	48½	56½	17	27½	36½
	650	14½	24½	34½	43½	55½	63½
BTR (*396)	390	16½	27	32½	16½	18	24
	420	6½	15½	21	37½	38½	44½
Brit. Telecom (*336)	330	21	29	32	8½	13	15
	360	7½	14	18	25	30½	31
Cadbury Sch (*459)	420	45½	59½	69½	8	13	16
	460	21	36½	47½	24½	30½	36
Eastern Elec (*256)	250	18½	–	–	7½	–	–
	260	–	17½	21½	–	20½	22½
Guinness (*585)	550	45½	61½	79½	9	14½	20
	600	18	32½	45½	30½	36½	41½
GEC (*218)	200	24	27	29	1½	4½	6
	220	10	13	17	7½	12	14
Hanson (*218)	200	23½	26	29	2	4½	6½
	220	9½	13½	17	8½	12	15
LASMO (*208)	200	18½	25	30½	11½	15½	19½
	220	9	16½	21½	24	26½	30
Lucas Inds (*116)	110	9½	13½	16½	4½	7	10½
	120	5½	9	11½	10	11½	15½
P. & O. (*380)	360	32½	37½	39½	20	26	36½
	390	17	26	28	37½	42½	54
Pilkington (*126)	120	13½	15	18½	4½	9½	11½
	130	8½	10½	13½	9½	14½	16½
Prudential (*239)	220	22½	26½	29½	4½	7½	11
	240	9	14½	19½	12½	16½	20½
R.T.Z. (*535)	500	32½	55½	65½	9½	17	22½
	550	15	29½	38½	35½	41½	45½
Scot. & New (*451)	420	45½	54½	60½	5½	11	13½
	460	21	29½	37½	18	27½	30½
Tesco (*264)	260	13½	20	26½	9½	11½	14½
	280	5½	11	16½	21	23	26
Thames Water (*379)	360	34½	37½	44½	9½	16½	19½
	390	17½	22	29	21½	30½	33
Vodafone (*366)	360	25½	32½	43½	12½	18½	22½
	390	12	19	29	28½	34½	37½
Option		**Mar**	**Jun**	**Sep**	**Mar**	**Jun**	**Sep**
Abbey Nat. (*286)	280	5	15½	22	7	11½	14½
	300	1½	8½	13½	22	22½	25
Amstrad (*32)	30	3	6	7½	1	3½	4
	35	½	4½	5½	4	5½	7
Barclays (*367)	360	7½	19½	27	11½	20	25
	390	1½	8½	13½	38½	40½	42½
Blue Circle (*261)	260	7	15½	23	6	18	22½
	280	1½	9	14½	19	30½	35
British Gas (*252)	240	13	19	23	1½	7½	8½
	260	2	8½	13	10	17½	19
Dixons (*235)	220	16½	28	31	1½	6	10½
	240	4½	16½	20	7½	15	20
Eurotunnel (*447)	420	38	56½	75½	3	16½	23½
	460	10½	38½	53½	17	33½	38½
Glaxo (*780)	750	39½	80½	101	6	31½	44½
	800	11½	54½	75½	29	53	66½
Hillsdown (*165)	160	7½	15	20	2½	12	14
	177	2	–	–	14	–	–
Lonrho (*117)	110	10½	20	23	3½	8½	10½
	120	5	13½	16½	7½	12½	16

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Midland Bk (*263)	260	8½	23	30½	5½	15½	20
	280	3	14½	22	19	26	30½
National Power (*223)	215	10½	20	24½	2½	7	10
	235	1½	10	14	12½	15½	20½
Reuters (*1171)	1150	37½	85	116	16	55	70
	1200	14	61½	91½	41½	80	98
R. Royce (*146)	140	6½	12	15	4	7½	9
	160	1	4½	7	19	20	21
Scottish Power (*103)	100	4	9½	11	1½	4½	8
	110	½	4½	6	7½	9½	14
Sears (*102)	100	4	7	10	2½	7½	9½
	110	1	3½	5½	8½	12½	13½
Forte (*226)	220	9	16	20½	2½	11	13½
	240	2	6½	11	14	23½	26
Thorn EMI (*785)	750	41½	67½	73½	2	12	23
	800	6	27½	43½	16	29½	47½
TSB (*132)	130	4½	11½	12½	2½	6	8½
	140	½	6	8	8	11	14½
Vaal Reefs (*$55)	50	5½	9½	10½	½	2½	4½
	60	½	3	6½	5½	8	9½
Wellcome (*1029)	1000	43	92½	125	13	43½	60½
	1050	17½	65½	98½	31½	70	83½

EURO FT-SE INDEX (*2540)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Mar	167	124	85	51½	27½	11½	4½	1½
Apr	197	159	126	95½	69½	47½	31½	18½
May	–	183	–	118	–	66½	–	35½
Jun	–	201	–	134	–	84½	–	47
Sep	–	240	–	175	–	123	–	82
Dec	–	270	–	210	–	160	–	113
PUTS								
Mar	6	11	20	34½	60	95½	136	181
Apr	26	36	49	67½	88½	116	149	187
May	–	45½	–	78½	–	124	–	187
Jun	–	49½	–	82½	–	125	–	186
Sep	–	65	–	93	–	133	–	181
Dec	–	80	–	110	–	145	–	190

FT-SE EUROTRACK 100 INDEX (*1169)

	1025	1050	1075	1100	1125	1150	1175	1200
CALLS								
Mar	–	100	75	55	33	20½	6½	2
Jun	150	130	105	87½	–	–	–	–
PUTS								
Mar	–	3	4	5	10	18½	31	56½
Jun	8½	10½	14	19½	–	–	–	–

FT-SE INDEX (*2540)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Mar	196	149	106	69½	39	18½	7	3½
Apr	226	185	146	112	85	61	41½	26½
May	247	208	171	138	108	83½	62½	45½
Jun	261	225	186	156	127	100	76	57
Dec†	–	300	–	232	–	172	–	127
PUTS								
Mar	5	8	15	28	49½	83½	123	172
Apr	25	33	46	62½	84½	112	145	185
May	34	43½	57½	75	97½	125	157	193
Jun	40	51	64	82½	102	128	158	193
Dec†	–	72½	–	102	–	147	–	202

March 5 Total Contracts 36,401
Calls 22,599 Puts 13,802
FT-SE Index Calls 7,607 Puts 3,129
Euro FT-SE Calls 83 Puts 938
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	■ OILS	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	■ MINES	
Bowater	55	Glaxo	70	Racal Elect	4½	■ PROPERTY		RTZ	35
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

Raine to acquire Walter Lawrence

By Andrew Taylor, Construction Correspondent

RAINE INDUSTRIES yesterday announced it had agreed to acquire Walter Lawrence in an all-share offer valuing the company at £28.5m. A takeover would create the UK's 10th largest house builder, producing about 2,000 homes a year.

The offer was accompanied by an announcement of a 2-for-7 rights issue, priced at 95p a share, to raise £33.5m.

The rights issue cash will be used to reduce Walter Lawrence's high borrowings of £74m, said Mr Peter Parkin, Raine's chief executive.

If the bid succeeds Raine will be left with net debt of about £45m, including acquisition costs, equivalent to 33 per cent of combined shareholders' funds of £133m.

Preference shareholders are being offered 100p cash for each share or can elect to accept a share offer.

Newarthill, which operates Robert McAlpine, the private construction company and owns almost 18 per cent of Walter Lawrence's ordinary shares and 11 per cent of the preference, has indicated that it will accept Raine's offer.

Raine's share price yesterday fell 15½p to 108¼p valuing Walter Lawrence's ordinary shares at 54p each. Lawrence's shares which were trading at 23p before the announcement jumped to 46p.

Mr Parkin also revealed that Raine's pre-tax profits had fallen by more than a quarter from £8.2m to £5.8 during the six months to end-December.

He said the group would be paying a maintained interim dividend of 2p covered 1.5 times by earnings of 3p (4p). Raine said it intended to pay a same-again final dividend of 4p for year ending June 30.

Raine said that it had looked at several acquisition opportunities before alighting on Walter Lawrence. These are understood to have included YJ Lovell in which Raine acquired a 2.8 per cent stake last year at a price of about 140p a share.

Lovell's share price has since collapsed, closing last night at 24p. Raine's interim results include a £3.4m provision to cover the writing down of the value of its holdings in Lovell.

The acquisition will increase the geographical spread of Raine's housing operations to cover most areas of England. Walter Lawrence also has a Californian housing business taking Raine into the US housing market on the back of Walter for the first time.

COMMENT

Raine in doing its sums has written down the book value of Walter Lawrence from £51m to £25.5m equivalent to about 50p a share – not far short of the bid price itself. It will have a combined UK landbank of about 6,000 plots at an average book value of £12,500. This should produce gross margins of about 25 per cent and net margins of 10 per cent even if the market does not improve. There should, according to Raine, be no dilution of earnings despite the issue of large amounts of paper. It can always sell the Californian business if things do not go as well as expected. Walter Lawrence shareholders meanwhile will get a substantial premium above the Lawrence's recently lack-lustre share price. Raine should be capable of making £15m this year producing earnings of 8p with the prospect of a housing recovery some stage in the future. The rights and the offer on this basis should be supported.

Peter Parkin: rights issue will cut Walter Lawrence's debt

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Enterprise Comp	int	1‡	Apr 16	-	-	2.5
French Property	fin	1	Apr 28	0.47‡‡	1	0.47‡‡
Holders Tech §	fin	4	Apr 3	4	5	6
Ladbroke	fin	6.23†☆	July 1	5.95	11.15	10.61
Life Sciences	fin	2.2☆	Mar 12	1.9	3.35	2.9
More O'Ferrall	fin	10†	May 18	10	13.2	13.2
MTL Instruments§	fin	1.9	May 6	1.6	3.4	2.8
Pentland	fin	1.3125	Jul 1	0.4375	2.25	0.75
Pentos	fin	2.05†	Jun 27	1.9	2.75	2.5
Radius §	fin	1.8	Apr 18	1.8	2.7	2.7
Raine Industries	int	2	Apr 20	2	-	6
Readymix	fin	2.2◆	May 1	1.95	2.75	2.5
Renishaw	int	2.5	Apr 27	2	-	6
Rolls-Royce	fin	4.7	July 13	4.7	7.25	7.25
Sema	fin	1.6	July 1	1.6	2.6	2.5
Singapore Para	fin	1.1	Apr 6	1	1.1	1
Singer & Fried	fin	1.5	May 7	1.5	2.5	2.5
Sumit	fin	1.25	May 19	3.8	1.25	5.8
TLS Range §	fin	nil	-	0.8	nil	1.8

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡Second interim. ‡‡Nine months to December 31. ◆Irish pence.

Singer & Friedlander up 13.5% to £15.4m

By David Barchard

SINGER & Friedlander, the merchant banking and property group, yesterday signalled its resilience to recession in the UK economy by reporting a 13.5 per cent increase to £15.41m in pre-tax profits for 1991.

Earnings per share were up from 3.92p in 1990 to 4.8p. The dividend is unchanged at 2.5p. Mr Anthony Solomons, group chairman, said that dividend cover was below 2 and it would not have been appropriate to increase the pay-out.

Instead the group yesterday bought 31.5m of its own shares, about 14 per cent of its capital, in the market for £12.5m or 40p per share. The purchase included the entire holding of 24.45m of its shares from the supervisors of B&C Investment Holdings.

"This enhances the assets and earnings per share for the rest of the shareholders," Mr Solomons said.

Group assets grew from £708m in 1990 to £744.6m. The group's banking operations made a profit of £7.01m, up from £6.57m.

There was an extraordinary profit of £4.78m from the sale of a stake in Takare for £25.4m.

Singer's shares closed the day at 44p, up 3p.

Steetley downgrades its French reserves

By Andrew Taylor, Construction Correspondent

STEETLEY, which is fighting a £600m takeover bid from Redland, its rival building materials group, yesterday published its final defence document in which it stressed the high earnings potential of its US and European businesses.

The document, however, reveals that the group has been forced to cut £40m from the book value of its French operations following an independent revaluation.

It says that a reappraisal of reserves owned by Gobitta, the French aggregates group for which it agreed to pay FFr850m in 1990, had revealed that there were 94m tonnes, including 79m tonnes of sand and gravel. At the time of the acquisition Steetley said the reserves of sand and gravel were nearer 150m tonnes.

The revaluation of assets produced a net asset value per share of 375p, rising to 394p if the value to Redland of Steetley's £29m surplus advance corporation tax is included.

This compares with a bid price worth 386p a share at last night's closing prices.

Steetley said that French construction activity was forecast to grow by an average of 2.5 per cent a year between 1992 and 1996. It said cost savings as a result of rationalising the French operations and lower raw material costs would produce savings of £8m in 1993 and £16m in 1994.

It argued that Redland's offer did not take into account the benefits of savings or the potential for earnings growth in the UK, US and Spain as construction markets moved out of recession.

It said that a 15 per cent increase in sales volume in the UK would more than double this year's budgeted profits.

Mr Richard Miles, Steetley chief executive, said his company's earnings growth had consistently outstripped that of Redland during the past decade. "Redland's bid does not even start to value this company's future based on the ability of its management to produce an outperformance from its high quality assets."

Confidence on a wing and a prayer in a turbulent future

Paul Betts on Rolls-Royce's long-term approach

A 71 per cent drop in pre-tax profits and a loss of £6m in its core aero-engine business last year did not appear to dampen Rolls-Royce spirits yesterday.

Lord Tombs, chairman, announced that the company was maintaining its annual dividend of 7.25p because it was confident about its long-term prospects.

Sir Ralph Robins, chief executive and deputy chairman, said the company was plugging on with its long-term strategy of expanding the range of its commercial jet engines, coping with the reduction in the defence market, and broadening the group's operations in other industrial power sectors to reduce dependence on the aerospace market.

Both top executives made it abundantly clear that Rolls-Royce was not seeking any strategic alliance with either General Electric (GE) and Pratt & Whitney, its two principal US competitors. Instead, the UK company was determined to "go it alone" and to continue broadening its market base to secure a 30 per cent share of the commercial jet engine market by the mid-1990s.

Rolls-Royce, like other aerospace companies, suffered last year from the combined effects of the post-Cold War decline in military business and the slump in civil aviation. Short-term prospects remain uncertain. Sir Ralph conceded yesterday that there was little chance this year of a recovery in civil aero-engine spares business which has traditionally been a significant source of profits for aircraft engine manufacturers.

However, the company believes it is now in a better position than in the past to take advantage of a recovery in the commercial aircraft business because of its expanded range of civil engines. This is reflected in its order book which has grown from £2.8bn in 1987, when the company was privatised, to £6.6bn last year. It has also taken vigorous action to reduce costs with 7,000 job cuts last year and plans for a further 3,000 job reductions this year.

The company's broader civil engine product line has helped Rolls-Royce increase its share of both the US and Asia-Pacific commercial engine markets. The company is expected to win soon a big engine order from Cathay Pacific, the Hong Kong-based airline, and is also competing for a big engine order from Japan Air Lines and Korean Air.

However, its weakness remains in Europe, where it has failed so far to make any significant market inroads with big continental European carriers, apart from British Airways. The company is still smarting from last year's loss of BA's engine order for the UK carrier's fleet of Boeing 777 widebodies which went to GE.

Lord Tombs expects that the recent aero-engine joint venture Rolls-Royce established with BMW, the German luxury car maker, will eventually enable the company to increase its European penetration. The current talks between Deutsche Aerospace and Fokker, whose jet engines are supplied by Rolls-Royce, could also boost the prospects of the Rolls-Royce Tay engine.

Lord Tombs also defended yesterday his decision six years ago to break off a co-operation agreement with GE. Although some analysts still argue that there is not room in the longer term for three big engine makers in the market, Lord Tombs argued that the GE deal would have limited the UK company's longer-term aero-engine prospects and ultimately turned Rolls-Royce into a GE sub-contractor.

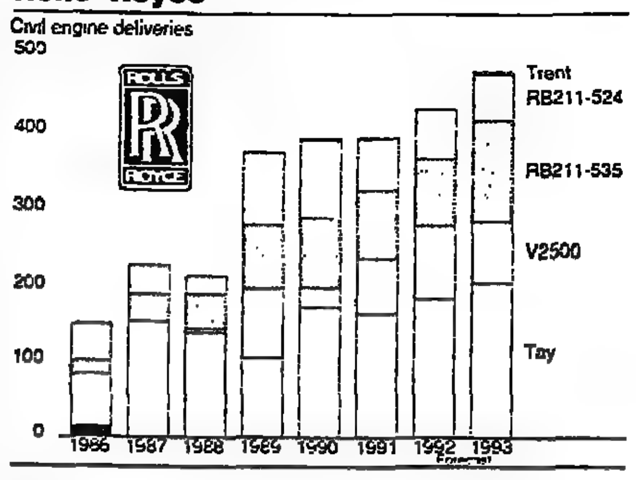
By concentrating on developing its own expanded range of engines and maintaining a strong balance sheet to weather the cyclical downturns, Lord Tombs believed Rolls-Royce was now in a far stronger position to compete in the cut-throat aero-engine market. He added that the company had spent £2bn on research and development to develop its expanded engine range during the last six years. This includes the £600m the company is investing in its new heavy thrust Trent engine to power the new generation of widebody aircraft.

Broadening the company's base in other industrial power sectors had also started to pay dividends. Indeed, the industrial power division produced the bulk of profits last year and now accounted for about 40 per cent of the group's overall turnover.

Both Lord Tombs and Sir Ralph insisted yesterday that the company should be viewed as a long-term business. "When we were floated we said investors would have to be patient; that we needed a strong balance sheet to weather the cold spells in the industry," Lord Tombs said.

Yesterday's figures and the aerospace industry's uncertain short-term prospects suggest that investors will have to continue being patient.

Rolls-Royce



Anglovaal Limited

Incorporated in the Republic of South Africa
Reg. No. 05/045880/06

Interim Report and Dividend Announcement for the Half-Year ended 31 December 1991

FINANCIAL RESULTS

The consolidated results are as follows:

GROUP INCOME STATEMENT

	Unaudited Half-year ended 31 December 1991 Rm	1990 Rm	Increase/ (Decrease) %	Audited Year ended 30 June 1991 Rm
Turnover	4 108,5	3 843,3	7	7 735,7
Operating profit	376,1	397,0	(5)	815,6
Income from investments	22,5	15,9	42	39,1
Profit before taxation	398,6	412,9	(3)	854,7
Taxation	178,6	192,7	(7)	375,7
Profit after taxation	220,0	220,2	–	479,0
Equity accounted earnings	45,7	39,0	17	82,7
Profit after taxation including equity accounted earnings	265,7	259,2	3	561,7
Attributable to outside shareholders of subsidiaries	122,6	123,9	(1)	276,6
Earnings attributable to equity shareholders	143,1	135,3	6	285,1
Earnings per share (cents)	240	227	6	478
Dividend per share (cents)	33	30	10	92
Number of shares on which earnings per share is based (000)	*59 624*	*59 622*		*59 622*
Net worth per share (rand)	50	46		50

GROUP BALANCE SHEET

	Unaudited 31 December 1991 Rm	1990 Rm	Audited 30 June 1991 Rm
Capital employed			
Shareholders' interest	2 148,7	1 914,7	1 974,3
Outside shareholders' interest	1 974,8	1 431,8	1 530,3
Total shareholders' interest	4 123,5	3 346,5	3 504,6
Debt capital	200,6	200,6	200,6
Deferred taxation	153,5	174,2	162,3
Long-term borrowings	167,0	372,3	331,0
	4 644,6	4 093,6	4 198,5
Employment of Capital			
Fixed assets	1 362,2	1 258,4	1 300,7
Investments	1 064,5	740,4	1 036,7
– associates and mining and life assurance subsidiaries	764,0	570,8	767,5
– listed	137,0	146,1	135,7
– unlisted	163,5	23,5	133,5
Loans and long-term debtors	43,1	33,9	41,9
Net current assets	2 174,8	2 060,9	1 819,2
Current assets	4 129,1	3 679,2	3 694,2
Current liabilities			
– interest bearing	350,8	210,7	200,1
– other	1 603,5	1 407,6	1 674,9
	4 644,6	4 093,6	4 198,5
Market value of listed investments, associates and mining and life assurance subsidiaries	1 596,8	1 591,3	1 891,7
Book and carrying value of listed investments, associates and mining and life assurance subsidiaries	523,1	478,3	509,0

COMMENT: Group earnings were slightly ahead of the previous year mainly as a result of the increased contribution from Anglovaal Industries Limited ("AVI"). Earnings of AVI increased by 18 per cent. This was attributable to higher earnings contributions by AVI Diversified Holdings Limited, Consol Limited, Irvin & Johnson Limited and National Brands Limited which largely offset a substantially reduced contribution from Grinaker Holdings Limited and, to a lesser extent the textile businesses of Avtex Holdings Limited.

Income from the Group's mining investments was generally at the same level as that received during the comparable period last year.

Interest received by the Company and Middle Witwatersrand (Western Areas) Limited was lower due to a softening of rates and reduced surplus funds following the purchase of investments and the R232,1 million used by the Company to take up its rights in the recent AVI rights offer.

As recessionary economic conditions – both local and overseas – are expected to persist for at least the rest of the financial year, Group earnings will continue to remain under pressure.

The current phases of the major exploration programmes for gold in the northern Orange Free State are nearing completion. In the Sun area, the drilling programme, designed to further delineate certain ore body boundaries and reef/grade continuity, is progressing as planned and is expected to be completed around mid 1992, whereafter the results will be evaluated. In the Oribi area, results from the current drilling programme are being evaluated and may result in the purchase of additional mineral rights in the area of interest, and further drilling. During the period under review, the Group's total share of exploration expenditure, the purchase of mineral rights and ancillary costs amounted to R38,2 million (1990: R36,0 million). It is estimated that the Group's total share for the current half-year will amount to R43,5 million.

Target Exploration Company Limited is continuing with the exploration of the mineral interests that it acquired from Loraine Gold Mines, Limited. A total of 19 300 metres was drilled in 20 boreholes during the six months ended 31 December 1991 and, in all but two of the boreholes, initial intersections were achieved on all the major reefs. During the six months, 10 of these boreholes were completed. The results of the current drilling programme will be published when the outstanding multiple deflections on the various reef horizons have been completed and initially evaluated. Exploration expenditure since inception to 31 December 1991 amounted to R30,3 million. It is estimated that a further R6,0 million will be expended to finalise the current drilling programme.

The development by De Beers Consolidated Mines Limited of the diamond mine on the farm Venetia, in the northern Transvaal – pursuant to the agreement with Saturn Mining, Prospecting and Development Company (Pty) Limited ("Saturn"), in which the Group has an 87,5 per cent interest – is progressing according to plan and remains scheduled to be brought into production in the second half of 1992, with full production being achieved early in 1993. Pending recoupment of capital, Saturn is receiving a minimum royalty of 12,5 per cent of the mine's profits before appropriations for capital expenditure. An amount of R2,8 million (1990: nil) was received by Saturn during the period under review.

INVESTMENTS: The principal changes were as follows:

During October 1991, AVI, Consol Limited and Irvin & Johnson Limited raised a total of R787,9 million by way of rights offers of unsecured automatically convertible subordinated debentures. Anglovaal subscribed for its full entitlement to the AVI debentures at a cost of R232,1 million.

In September 1991, National Brands Limited disposed of its 16,2 per cent interest in Cadbury Schweppes (South Africa) Limited for R177,1 million, giving rise to a capital profit of R153,7 million. With effect from 1 October 1991, National Brands acquired the trade marks and certain assets of Buffalo Food Corporation (Pty) Limited. On 25 February 1992, National Brands announced its intention to acquire the 27,6 per cent minority shareholders' interests in Pleasure Foods Limited. The total consideration would amount to R16,0 million and Pleasure Foods would then be constituted as a wholly-owned subsidiary of National Brands.

On 4 March 1992, AVF Group Limited and its subsidiaries, Anglovaal Insurance Holdings Limited, AA Life Assurance Association Limited and Crusader Life Assurance Corporation Limited, completed rights offers of ordinary shares. Anglovaal followed its rights to the AVF Group offer at a cost of R25,5 million.

With effect from 30 September 1991, the Group acquired a 51 per cent holding in Bearing Man Limited, a company listed on The Johannesburg Stock Exchange, as a result of the merging of the bearings businesses of Steelmetals (Pty) Limited with those of Bearing Man.

Claude Neon Limited was sold, with effect from 1 July 1991, following acceptance of an offer to acquire the Group's 65,4 per cent shareholding in that company.

EXTRAORDINARY ITEMS: The following items have not been taken into account in earnings attributable to equity shareholders:

	Half-year ended 30 December 1991 Rm	1990 Rm
Surplus on disposal of listed investment	90,0	–
Provision against investment in associated company	(10,2)	–
Goodwill written-off	(4,0)	(0,3)
Other	(0,3)	(0,1)
Net extraordinary items attributable to equity shareholders	75,5	(0,4)

CAPITAL EXPENDITURE: The capital expenditure of the Group for the half-year ended 31 December 1991 was R116,3 million (1990: R91,8 million). Capital expenditure amounting to a further R164,4 million (1990: R181,3 million) at 31 December 1991 had been authorised, of which R47,2 million (1990: R83,6 million) had not yet been contractually committed.

COMMITMENTS AND CONTINGENT LIABILITIES: At 31 December 1991 commitments amounted to R3,1 million (1990: R6,1 million). Contingent liabilities amounted to R19,0 million (1990: R61,1 million).

RESTATEMENT OF 30 JUNE 1991 RESULTS: The audited income statement and balance sheet for the year to 30 June 1991 have been restated to take account of the audited AVF Group Limited financial statements which were not available when the Group finalised its annual financial statements. The reduction of provisions previously charged against Group profit has resulted in an increase in earnings of 8 cents per share, or 1,7 per cent, to 478 cents per share. Extraordinary items have been adjusted to take account of the finalisation of the amount of the special provision in respect of actuarial liabilities made by an insurance subsidiary.

INTERIM DIVIDEND DECLARATION: Notice is hereby given that interim ordinary dividend No.92 of 33 cents (1990: 30 cents) per share and interim N ordinary dividend No.4 of 33 cents (1990: 30 cents) per share have been declared payable to holders of ordinary and N ordinary shares registered in the books of the Company at the close of business on Friday, 20 March 1992. Payments of the dividends are subject to conditions which are available for inspection at the registered office or office of the London secretaries of the Company. The dividends have been declared in the currency of the Republic of South Africa and payments from London will be made in United Kingdom currency at the rate of exchange ruling on 30 March 1992. Warrants in payment of the dividends will be posted on or about 16 April 1992. The transfer books and registers of members in Johannesburg and London will be closed from 21 to 27 March 1992, both days inclusive.

For and on behalf of the board
B.E. Hersov, Chairman
Clive S. Menell, Deputy Chairman

5 March 1992

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B.L. Bernstein Hon. LL.D., D.J. Crowe, Dr. O.D. Dhlomo, E.H. Fox, J.J. Geldenhuys,
E.G.D. Gordon, E.J. Mabuza, J.C. Robbertze, R.T. Swemmer, R.A.D. Wilson.

UK COMPANY NEWS

More O'Ferrall tumbles to £5.8m

By Maggie Urry

MORE O'FERRALL, the billboard and bus shelter advertising contractor, suffered "extremely weak" trading conditions in 1991 and saw pre-tax profits fall by 40 per cent from £9.7m to £5.8m.

However, Mr Russell Gore-Andrews, chairman, said that after a 60 per cent drop in first-half profits to £800,000 (£2m) second-half trading was "substantially better". The shares rose 5p to close at 244p.

The outlook would largely depend on a recovery in the UK market, he said. So far the first quarter was weaker than last year and there was a hesitancy by advertisers to commit themselves ahead of the election.

Group turnover fell 3.5 per cent to £61.7m, but the relatively high operational gearing in the business meant operating profits fell by 29 per cent to £9.2m.

Mr Brian Turnbull, finance director, said the group had cut costs where it could and capital expenditure had been reduced from £10m in 1990 to £5.8m in 1991, although this was still greater than the £4.8m depreciation charge.

The interest charge rose slightly to £3.4m (£3.3m) as borrowings increased over the course of the year.

In mid-December the group received the £13.3m net proceeds of its 1-for-4 rights issue in October, and at the year-end the group's borrowings had fallen by £16.1m to £8.6m, Mr Turnbull said. This represents a fall in net gearing from 126 per cent to 26 per cent.

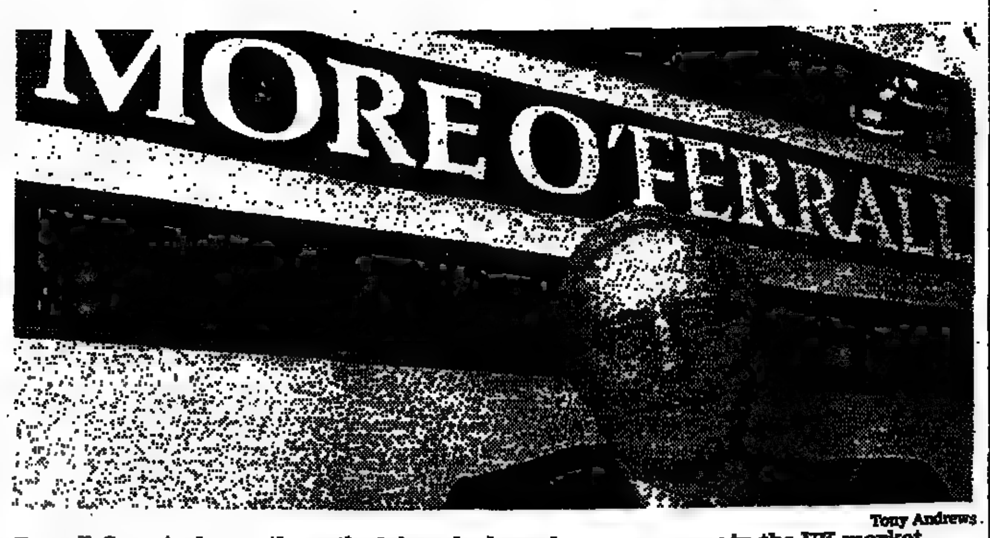
A lower tax rate of 29.7 per cent, compared to 33.9 per cent, was achieved by using tax losses overseas. Mr Turnbull said this would continue in 1992 and beyond. Earnings per share were 14.9p against 24.3p for 1990 after adjusting for the rights issue.

Mr Gore-Andrews said the group had been confident of keeping its promise of a final dividend of 10p on the enlarged capital ensuing from the rights issue, although this left retained profits of only £16,000 (£1m).

That gives a total pay-out for the year of 13.2p, unchanged in money terms but slightly up from the rights-adjusted level of 12.8p.

Operating profits in the UK and Ireland fell 36 per cent to £7.1m on sales 8.4 per cent lower at £38.9m. In Belgium profits were 8.8 per cent down at £1.4m, although this hid a good recovery in the second half after the integration of Visibility, the business acquired in 1990.

A strong performance in France, despite a weak market, lifted profits to £855,000 (£364,000). Losses in the Californian subsidiary more than offset a recovery in profits from Taiwan in the second half, to give a loss of £158,000 (£42,000 profit) from "other" areas.



Tony Andrews

Russell Gore-Andrews: the outlook largely depends on a recovery in the UK market

COMMENT

It is hard to get enthusiastic about More O'Ferrall's short-term prospects after two successive years of 9 per cent falls in UK advertising expenditure, and a couple of false dawns last year. Media forecasters' predictions of 10 per cent growth in the advertising market this year may well prove over-optimistic. And there is also the prospect of a European ban on tobacco advertising. Tobacco advertisements represent 5 to 7 per cent of the group's UK turnover and 8 per cent of its Belgian business. Once business does recover the high operational gearing will mean profits rising sharply, but this makes forecasting difficult. Assuming some pick up in the second half of the current year and with the rights money cutting the interest charge, pre-tax profits could reach £9m, giving a prospective p/e of about 12.3. An historic yield of 7.2 per cent sustains interest in the shares until the expected profit bounce arrives.

John Lewis dips 16% amid tough trading

By John Thornhill

JOHN LEWIS Partnership, the employee-owned department store and supermarket group, yesterday revealed that it had endured its toughest spell of trading since the Second World War as profits fell for the third successive year.

At the pre-tax level, annual profits slipped by 16 per cent to £77.3m as a result of rising costs and higher interest charges. The company warned that it expected the "unhelpful economic climate" to continue.

Some £30.2m would be shared between the 34,000 employees in the form of the company's annual bonus. The cash pay-out represented 9 per cent of annual salary and was the lowest percentage payment since 1958-59 when a 7 per cent distribution was made in preference stock.

On average, each employee (or partner as they are known) will receive a bonus of £955 before tax compared with £1,180 last year.

The company, which runs 22 department stores and 97 Waitrose supermarkets, increased sales by 6 per cent to £2.28bn (including VAT) in the year to January 26. The department stores increased sales by 4 per cent to £1.13bn while Waitrose supermarkets lifted sales by 8 per cent to £1.12bn.

Trading profits fell by 9 per cent to £100.1m as the company's manufacturing arm was particularly badly hit.

The increase in average borrowings to £226m resulted in a higher interest charge of £22.8m (£18.4m).

Mr Peter Lewis, chairman, said in the circumstances it had been "a pretty solid and certainly very welcome result".

He pointed out that although the annual bonus distribution was 17 per cent lower than last year, partners had on average received 5 per cent more pay in 1991-92 as a result of increases in annual salary.

Everything possible must now be done to curtail the growth in expenses to align them more closely with increases in revenue, he said.

Renishaw down 24% to £4.1m

By Roland Rudd

PRE-TAX PROFITS at Renishaw, the maker of precision metrology and inspection equipment, fell 24 per cent from £5.4m to £4.1m in the half-year to December 31.

Sales fell from £22.1m to £21.3m reflecting a depressed worldwide machine tool sector.

Mr David McMurtry, chairman, blamed most of the profit fall on the decision to maintain research and development expenditure and investment in manufacturing which is running at an annual rate of £6m.

Earnings per share fell to 6.1p (7.6p). An interim dividend of 2.5p (2p) is declared.

Power generators under attack

By Juliet Sychrava

NATIONAL POWER and PowerGen will be unable to maintain dividend growth in the mid-1990s, according to a report published by Barclays de Zoete Wedd, the stockbroker.

The report is one of the harshest attacks on the two electricity generators since their privatisation last March.

BZW forecasts pre-tax profits of only £250m for National Power by the year ending March 1994, compared with £500m for the 12 months to March 1992.

For PowerGen, the brokers anticipate a fall in pre-tax profits from £340m to £170m over the same period.

The report expects earnings per share for both companies to almost halve over the two years, and dividends to decline from 9p to 7.2p at National Power and from 9.2p to 7.7p at PowerGen.

BZW believes the main reason for the squeeze on profits will be increased competition and tighter regulation in the mid-1990s and says shares in both companies should be sold.

"The shares do not reflect the possible length or depth of a profits downturn from 1994," BZW warns.

The stockbroker believes both companies' shares are overvalued by a third relative to the market.

The generators face the threat of an oversupplied market as new generators come on stream in the mid-1990s.

Although they are currently protected by contracts to sell electricity put into place at privatisation, these will expire in March 1993. Then, BZW forecasts, the market will be oversupplied and returns will fall.

A second threat is Offer, the electricity watchdog. "Offer is intent on realising the benefits of competition in generation," BZW says.

The stockbrokers expect Offer to be tougher than investors anticipate, and prevent the generators from artificially boosting electricity prices by closing power stations to tighten supply.

Offer will force the generators to offer these stations to their competitors, BZW believes.

National Power/PowerGen: Profits Under Pressure, BZW Research.

Tor assets ahead

Net asset value at Tor Investment Trust at January 31 was 141p (138.7p) per income share or 1,053.6p (963.5p) per capital share. Earnings were 14.3p (18.02p).

NEWS DIGEST

MTL rises sharply to £4.61m

PROFITS of MTL Instruments Group rose from £3.77m to £4.61m pre-tax for 1991. The 22 per cent improvement was achieved on the back of a £4m rise in turnover to £18m.

The USM-quoted company, a maker of electrical instruments and control systems, is raising the year's dividend by 21 per cent to 3.4p with a proposed 1.9p final. Earnings amounted to 16.6p (13.69p) per share.

An extraordinary credit of £552,000 represented a pension scheme surplus in respect of a pension fund established for one of the founder directors.

Readymix declines to I£3.63m

"1991 was a year of mixed fortunes" for Readymix, the Dublin-based concrete and building materials group, with pre-tax profits declining from I£4.85m to I£3.63m (£3.38m).

Moreover, the company said that "the final outcome was somewhat better than could have been anticipated from the first six months, when profits fell 25 per cent to I£1.76m.

It added that the year had seen "a return to more normal levels of construction activity after the exceptionally buoyant conditions experienced in 1990". In terms of profits and earnings per share, 1991 had been the company's second best year.

Turnover slipped to I£31.7m (I£32.2m). While major road projects, sanitary services and industrial development had maintained "reasonable levels of demand", housing, agriculture and commercial developments were weak.

Earnings shed 2.78p to 8.05p per share and the final dividend is lifted to a proposed 2.2p for a total of 2.75p (2.5p).

Holders Technology static at £380,000

Reducing costs and minimising exposure to bad debts and adverse currency movements helped enhance margins at Holders Technology, the supplier of tools, materials and equipment to the printed circuit board industry.

Pre-tax profits were static at £380,000, against £378,000, on turnover down from £3.73m to £2.96m.

Mr Rudolf Weinreich, chairman and chief executive of this USM-quoted company, said that the UK economy had made no improvement, discernible either to Holders or to its customers, in the second half. Given this he regarded the result as "satisfactory".

Indeed the recession had spread to the Continent and had stifled progress in Germany and the Netherlands.

Earnings rose fractionally to 8.56p (8.51p) per share; the proposed final dividend is unchanged at 4p to make a maintained total of 6p.

Sumit net asset value down to 108p

A further decline in net assets was sustained by Sumit in the second half of 1991.

The company reported a fall to 108p in net asset value per share at that date against 115p at the interim stage and 151p at the previous year end.

Mr Simon Sharp, chairman, said that profits of most of the trust's investee companies had virtually disappeared, leaving little capacity for paying dividends.

With regard to this the recommended distribution for the year is reduced to 1.25p (5.8p), payable from earnings down from 7.3p to 1.4p.

TLS returns to profit in second half

TLS Range, the Manchester-based vehicle hire group, returned to profit in the second half of the 1991 year.

But the USM-quoted company still incurred a pre-tax loss of £259,000, against profits of £807,000. The dividend is passed. Last year there was a total of 1.8p.

Turnover was £9.97m (£8.8m) with the corporate sector making up for lower demand from private customers. Losses per share were 1.39p (earnings 5.2p).

Umeco subsidiary sold to management

Umeco, the USM-quoted maker of equipment for the aerospace and aviation industries, has sold Loheat, a non-core subsidiary, to its management for £385,000.

For the year to March 31 1991 Loheat incurred an operating loss of £167,000 on turnover of £1.85m.

French Property asset value lower

Net asset value per share of French Property Trust declined by 12.4 per cent to 67.67p over the year to December 31.

Net revenue amounted to £383,608 (£178,716 for the period April 6 to December 31 1990). The dividend is 1p (0.47p). Earnings amounted to 1.53p (0.71p).

Radius tumbles to £366,000

Profits of Radius, the USM-quoted company engaged in computer systems and maintenance, continued to fall sharply during the second half and for the full year to November 30 dived from £2.82m to £366,000 pre-tax.

Some £576,000 of the decline represented restructuring costs. However, with cash balances improving to £3.13m (£2.48m) directors propose to maintain the dividend for the year at 2.7p via a final of 1.8p.

Turnover totalled £28.1m (£29.9m) and earnings per share emerged at 0.8p (6.5p).

Singapore Para shows rise

Singapore Para Rubber Estates, the rubber and palm oil producer, reported an increase from £243,774 to £263,889 in pre-tax profits for the year to December 31 on turnover up from £514,882 to [illegible].

The dividend is partially restored to 1.1p (1p) per 5p stock unit – it was 1.55p for 1989 – from earnings of 1.58p (1.62p).

TR City of London assets up over year

TR City of London Trust had a net asset value of 109.55p at December 31 compared with 99.3p a year earlier and 110.49p at end-June 1991.

Net revenue for the half year ended December 31 edged ahead to £4.24m (£4.36m), equal to earnings of 2.28p (2.24p). Mr Job Curtis, the fund manager, said he expected that earnings for the full year would cover the forecast dividend of 4.76p – 1.19p per quarter.

Pentland triples annual dividend

By Angus Foster

PENTLAND GROUP, which made its fortune from an investment in Reebok, the US sports shoe maker, yesterday tripled its dividend for the year after announcing higher-than-expected profits.

The company reported pre-tax profits of £19.6m for 1991. The figure is not comparable with 1990 because of the disposal of the Reebok stake in February and December. The sale raised about £388.9m and contributed to extraordinary profits of £207m.

Because of the sale, the company restated its accounts for 1990, treating Reebok as an investment. Following this change, 1990 pre-tax profits on continuing operations were reduced from £55.3m to £8.7m.

The directors are recommending a final dividend of 1.3125p to make a total of 2.25p (0.75p).

The company had net cash of £273m at December 31 and in 1991 earned £6.3m in interest income (charge £7.9m). Mr Stephen Rubin, chairman, said: "It really is good to be cash rich in the current climate."

Pentland completed two acquisitions last year and is continuing to look for targets.

In August, it paid £46.1m for a 20.05 per cent stake in Adidas, the German sporting goods company controlled by Mr Bernard Tapie, the French entrepreneur, Mr Rubin said Pentland had an option to take a further 5 per cent between 1993 and 1996. The stake has not been equity-accounted and is being treated as an investment.

Pentland would probably like to increase its stake further if the chance arose, for example if Mr Tapie needed to sell another tranche. But Mr Rubin admitted the matter was outside his control.

Speedo, the swimwear brand of which Pentland bought the worldwide rights and various distributors, is being built up. Distribution has been extended to eight new countries.

Pentland's shares gained 4p to 101p.

Stephen Rubin: good to be cash rich in current climate

O'Reilly builds stake in Conroy Petroleum

THE ONGOING battle for control of Conroy Petroleum, the Irish exploration group, took an unexpected turn yesterday with the announcement that Mr Tony O'Reilly, one of the country's leading businessmen, has taken an additional 16.3 per cent stake, writes Tim Coone.

Mr O'Reilly has bought out the entire interest of Dundee Bancorp in Conroy through Columbia Investments, a company which he controls.

Last month Dundee Bancorp and Outokumpu, the two principal shareholders, successfully ousted Conroy's entire board, including Mr Richard Conroy, the chairman. The two shareholders were incensed at Mr Conroy's decision last year to take over Mr O'Reilly's Atlantic Resources, an ailing oil and gas exploration company.

Mr Brendan Gilmore, the new co-chairman, following Mr O'Reilly's increased stake, said: "We are looking forward to a long-term relationship with Outokumpu at shareholder and board level."

He said that "no commitments" had been made regarding future ore marketing arrangements but added: "I would hope we would be able to develop a relationship which would be positive for all the shareholders."

Mr O'Reilly's beneficial interest in Conroy is now 20.5 per cent and together with Mr Conroy and "those who are deemed to be concert parties with him" now controls a total of 28.9 per cent.

The 9.025m shares held by Dundee were sold at 80p each, a substantial premium over the previous day's trading when Conroy's shares closed in London at about 50p.

Book discounting policy helps Pentos advance 7% to £15.2m

By Raymond Snoddy

MR TERRY MAHER, chairman of Pentos, the book retailing and office equipment group, yesterday announced a 7 per cent increase in pre-tax profits to £15.2m for the year to end-December.

At the same time Mr Maher reopened his campaign against the net-book agreement, the voluntary agreement which sets minimum prices for most books.

The Pentos chairman revealed the first results since last winter's campaign against the net-book agreement, when the company offered discounts of 25 per cent on some 20 books published outside the NBA by Reed International.

Mr Maher said that December sales at Dillons, the main Pentos chain, had risen by 23.5 per cent compared with 3 per cent for booksellers as a whole.

When newly-opened Dillons stores were excluded and the comparison was limited to existing shops year-on-year the increase was 8 per cent, compared to 1 per cent for bookshops as a whole.

The controversial bookseller said that Dillons' share of Reed's turnover had increased by more than 50 per cent.

Customers who bought discounted titles had bought an average of two other books and secondary purchases had been worth £29, almost three times Dillons' usual transaction value of £10.

"I believe we have shown as conclusively as possible that professional marketing works in the book trade," Mr Maher said.

He yesterday appealed to other publishers to join Reed in publishing books outside the NBA so that they could be discounted.

So far no other publisher has joined Reed, and most booksellers are very sceptical about the benefits of discounting.

The group's £15.2m profits were achieved on net sales of £204m - an increase of 19 per cent.

Earnings per share at 9.1p were 2 per cent down, but a final dividend of 2.05p is recommended making a total for the year of 2.75p, a rise of 10 per cent.

Total sales at Ryman were 3 per cent ahead, and sales in some shops equalled the previous year.

Office furniture sales fell by 10 per cent and profit was cut by a third to £3.7m.

"In the midst of the longest and deepest recession since the Second World War a profit increase of 7 per cent represents a satisfactory outcome for 1991. In particular Dillons performance was outstanding," said Mr Maher.

Dillons sales were 37 per cent ahead, or 23 per cent excluding Hatchards which was included for only part of 1990, he added.

Pentos shares closed up 1p at 138p.

Woolwich plans 40 T&C closures

By David Barchard

FORTY OF the 78 branches of Town & Country, the building society which was taken over by Woolwich Building Society last October, are to be shut down when the merger of the two societies is completed early in May.

News of the closures, which are likely to make a substantial number of T&C's 800 staff redundant, were announced along with news of a sharp fall in Woolwich's profits during 1991 because of sharply increased provisions against bad debts.

Mr Peter Robinson, deputy chief executive, said it was impossible to say at this stage how many T&C staff would lose their jobs.

Woolwich's pre-tax profits fell by 21 per cent to £136.4m (£173m). Bad debt provisions were £72.4m, up from £32m in 1990. In addition the society wrote off loan losses of £23m during the year.

Its assets grew from £18.2bn to £20.2bn during the year, but its two main businesses, savings and mortgage lending, both contracted.

Lending was down to £3.1bn (£3.6bn), while net receipts of savings in 1991 were £1.12bn (£1.45bn).

"We decided not to push the boat out in a thin market," said Mr Donald Kirkham, chief executive. He said that the Woolwich had held its own in market share terms.

During the year, Woolwich enlarged its network of estate agencies and took over T&C. It also developed its European mortgage operations in France and Italy. Mr Kirkham said these investments were the main reason why the society's cost-income ratio rose from 53.7 to 59.9 per cent, about 10 percentage points higher than the industry average.

● Woolwich's results contrasted with a sparkling 1991 performance announced yesterday by Yorkshire, the 12th largest society.

Its pre-tax profits rose by 20 per cent to £52.6m. Total mortgage lending was up by 15 per cent to £979m, while the society's assets grew by 17 per cent to £4.18bn.

Yorkshire's cost-income ratio dropped to 42 per cent, its lowest ever level. Loan loss provisions were £15.3m, up from £9m in 1990.

The society's strong showing partly reflected the fact that much of its customer base is in the north of England which has been less affected by the recession than the south-east.

Mr Derek Roberts, chief executive, said that his society's strong all-round performance demonstrated that it was well equipped to deal with tough market conditions. "Although bad debt provisions are high, the society has been protected by its prudent levels of growth during the boom years in the housing market," he said.

Young Group in talks with Hanson arm

Young Group, the opencast and drift coal miner which earlier this week announced it was facing reduced profits for 1991 and required more working capital, is in negotiation over its Venezuelan operation with Peabody, a US subsidiary of Hanson, writes Chris Tighe.

Talks are in progress over whether Peabody, the US's largest coal producer, should become a partner in Young's Venezuelan operation, injecting working capital, or buy out the company's stake there.

Neither Young Group or Hanson would comment yesterday on the discussions.

Recession-hit Sema falls to £14m

By Alan Cane

PROFITS OF Sema Group, the Anglo-French computing services company, fell from £15.3m to £14m pre-tax for 1991.

Mr Pierre Bonelli, chairman, said market conditions were the worst the industry had experienced, but added that he was satisfied with the group's overall performance.

Turnover rose 10 per cent to £412.5m, but at the operating level, profits were little changed at £16.5m (£16.7m). Favourable tax charges left net profits marginally higher at £10.6m (£10.4m).

Earnings per share rose from 10.45p to 11.02p and a proposed final dividend of 1.6p makes a 2.6p (2.5p) total.

The group's trading performance suffered from the same malaise that has depressed profits at virtually all the large European computing services companies.

The recession in the UK, France and Germany has forced customers to delay projects while defence budgets have been steadily declining.

Mr Bonelli said he was satisfied with turnover growth of the UK arm, which rose 17 per cent over the year from £123.8m to £145m.

It was, he said, very profitable but he refused to give pre-tax profit figures for individual European countries.

Germany proved a black spot where growth was essentially static at £31.7m (£31.6m.)

Profitability was also hit by start-up costs associated with the formation of BAe-Sema, the joint venture established last year to bid for large defence contracts in Europe, the Far East and the Middle East.

Mr Bonelli said trading in the current year would be tough. He had seen no sign of an upturn.

Sema's shares closed 4p higher at 239p.

Courtney Pope seeks £5m refinancing

By Jane Fuller

COURTNEY Pope Holdings, the shopfitting group where several subsidiaries were put into receivership or closed to save two profitable ones, is being refinanced under a new management team.

A £5.1m rights issue will bring the company back to net worth of £2.9m. Alongside the issuing of additional shares to satisfy £1m bank debt, the group's indebtedness will be reduced to less than £800,000.

The new management – Mr George Duncan, Mr Tim Wightman and Mr Nino Allenza – will own 7.6 per cent of the equity after putting up £650,000. They are changing the company's name to that of their private concern, Rubicon Group.

Courtney Pope has been run by Mr Ronnie Aitken, a company doctor, since October 1990. Its debts peaked at more than £18m. During the rescue, eight subsidiaries were put into administrative receivership and eight others were closed or sold.

The group's bank debt was reduced to £4m last year. About £3m of the issue proceeds will go to the banks. To settle other liabilities, shares will be issued to Barclays, which will own 7.5 per cent of the equity, and NatWest, giving it just over 4 per cent.

The remaining core of the business comprises Versatile, a maker of shopfittings for and Potrafke (UK), a supplier of moving belt checkouts.

In the six months to November 30, for which the results were also announced yesterday, Courtney Pope made a pre-tax profit of £963,000 (loss of £3.45m) on sales of £9.2m (£32.4m). This followed a pre-tax loss of £8.9m in 1990-91 and a retained loss of £15.6m.

Earnings per share were 5.5p (loss of 28.6p).

The rights issue price of 85p is after a capital reconstruction which will turn 10 existing shares into one, making yesterday's closing price of 9¼p effectively 95p.

COMMODITIES AND AGRICULTURE

Congress may order defence metals sale

Nancy Dunne in Washington

THE BUSH Administration may be ordered by Congress to sell off as much as $1bn (£.50bn) in fiscal 1993 in surplus metals and materials stored in the US National Defence Stockpile.

The Pentagon said last week that, with the end of the Cold War, it could drastically pare the stockpile, now worth about $9bn. Its never-attained "goals" would be cut from $19.1bn in supplies to $3.3bn.

Congressman Charles Bennett, the 81-year-old chairman of the defence subcommittee overseeing the stockpile, said that the Pentagon has never even sold off the $1bn in "excess and outdated" materials that it was authorised to sell during each of the last five years. A departmental inspector general's report found that stockpile managers sold only $231m in excess materials from fiscal years 1988-91.

"Bureaucratic incompetence," Mr Bennett grumbled. Now he will introduce legislation to force the Pentagon to sell $1bn in materials in the next fiscal year.

For years the Reagan and Bush Administration either ignored the stockpile or tried to sell off its more marketable metals in order to raise money for the budget. Silver auctions, conducted in the 1980's, produced an explosive reaction from the mining industry and they were discontinued.

Silver is now being sold off slowly in the form of commemorative coins. Proceeds are supposed to go into a stockpile transaction fund for the purchase of new materials.

Mr Bennett agrees with the Pentagon that what is now needed is "a lean stockpile attuned to the needs of modern military technology and combat." However, he has not yet decided if he will agree to a Pentagon request for a moratorium on acquisitions while the department makes further studies.

The Pentagon has already decided that goals should be based on the supposition of a three month war with a one-year mobilisation period, rather than a three year conventional global war.

Unless Congress agrees to the ban on purchases, the Pentagon has said that this year it will buy jewel bearings, columbium group metals, indium, rubber and tantalum metal, at a total cost of $31.7m.

In fiscal 1992, it has asked for new legislative authority to sell: 3m pounds of cobalt worth $45m; bauxite worth $17.2m; 5,000 short tonnes of nickel worth $31.3m; and 50,000 short tonnes of zinc worth 50,000. It will continue to sell off its tin (12,000 tonnes) and silver (9.4m troy ounces in the form of commemorative coins) slowly, to avoid disrupting the markets.

In this fiscal year, it wants also to sell asbestos, bismuth, fluorspar, graphite, industrial diamonds, iodine, manganese, mercury, mica, quartz crystal, silicon carbide, thorium nitrate, and talc.

Ultimately, the Pentagon plans to sell off all its aluminium, copper, lead, mercury, nickel, rayon, silver, and zinc. It hopes to dispose of much of its bauxite, cobalt, chromite, and platinum group metals.

The Pentagon says it plans research and development in new materials, initially involving light metals and alloys.

Ugandan cobalt prospect

UGANDA may become a major cobalt producer by means of a $45m (£25.5m) deal now being discussed by the French mining group BRGM and Barclays Metals to extract the stockpiled by-product of an abandoned copper mine in the south west of the country, Reuters reports from Kampala.

Jeff Thomas, managing director of Barclays Bank Uganda, said in an interview that the proposal was a further sign of confidence in the country's economic recovery process.

Mr Thomas said that the joint venture would release the world's largest stockpile of the strategic material. He also confirmed that talks were now at an advanced stage. "We are now only awaiting government go-ahead", he added.

If the deal goes ahead, Uganda will become one of the world's major cobalt producers, along with Zaire and Zambia, which together account for about 70 per cent of global output outside former eastern bloc countries.

Indian group plans high-tech tea estate

By Kunal Bose in Cochin

HARRISONS Malayalam, part of the Rs2.5bn (£54m) RPG group, plans to set up a tea estate in the West Dinajpur district of West Bengal that promises to set new standards of productivity in the Indian tea industry.

The company has decided to take the route of clonal plantation in its effort to achieve a productivity rate of 3,500 to 4,000 kg a hectare, compared with present yields averaging about 2,500 kg a hectare at its existing plantations in the south Indian states of Kerala and Tamil Nadu. The company is acquiring 1,000 hectares for the Rs150m project, according to Mr K Ahmedulla, executive director.

Highly productive clones will be supplied by the Toklai tea research centre and planted at the optimum density of 14,000 a hectare, compared with about 10,000 plants a hectare in most existing tea estates. Planting is to start by June 1992 and should be completed within seven years. Production is forecast to reach 3.5m kg a year in ten years.

The company also plans to set up a modern processing factory adjoining the estate.

The company hopes to produce 15m kg of tea in 1992, up from 14m kg last year, at its tea estates in Kerala and Tamil Nadu, covering 6,000 hectares.

● Tata Tea, India's largest plantation company, and Krasnodar Tea Company have formed a joint venture in Russia called Tata Krasnodar Industries in which the partners will have equal holding.

The objective is to promote the export of Indian tea and other agricultural products to Russia. The company has acquired a tea blending and packaging plant at Sochi from Krasnodar Tea.

Packet tea produced at the plant will be labelled "an Indo-Russian Star Product."

Tata Tea, which has secured an initial order of 3m kg of black tea, worth Rs160m, from Agroras, the Russian import agency, will get the tea packed at the Sochi plant. India has traditionally been dependent on the former Soviet Union for its tea exports.

Last year the Soviet Union took 109.6m kg of India's total tea export of 203.57m kg, but there is uncertainty about India's tea exports following the disintegration of the Soviet Union.

Salinas sows seeds for economic benefits

Damian Fraser looks at the impact of Mexico's far-reaching agricultural reforms

MEXICO'S president, Mr Carlos Salinas de Gortari, likes to propose bold, sweeping reforms. But many Mexican government officials reckon the president has launched his boldest and most radical yet in opening up Mexico's antiquated agricultural sector to market forces.

His reforms, which passed into law last week, will greatly extend private ownership of Mexican farms and increase the attraction of agricultural investment for both Mexican and foreign business.

They will also remove the government's powers of distributing agricultural land and undermine the rural power base which has kept the ruling Institutional Revolutionary Party (PRI) in power for the past 62 years.

At the same time they have exposed Mr Salinas's government to the criticism that it has betrayed the spirit of Mexico's 1910-17 revolution - encapsulated by the constitutional right every Mexican had to land.

For Mexico's president, however, the risk is worth taking. The country's inefficient agricultural system, which has suffered from a lack of capital and declining farm size, is standing in the way of his attempts to modernise the country's economy.

Mexico's farm sector accounts for 30 per cent of the population but just 8 per cent of GDP. The World Bank has recently estimated that 11m of the 27m Mexicans based in the countryside live in extreme poverty and says that "lagging rural and agricultural development" lies at the root of the problem.

The weakness of the rural sector is largely the result of the agricultural laws enacted after Mexico's bloody 1910-17 revolution. These laws gave every Mexican the right to land, and established a system of ejido or communal farms - where farmers managed their plots of state-owned land but often shared capital and equipment. Ejido farms now account for about half of Mexican farms.

Mexican president Carlos Salinas de Gortari.

The ejido system, and the concomitant commitment to land reform, has provided land for millions of Mexicans. But it discouraged private investment in agriculture and the creation of larger, more efficient farms.

Ejido farmers, (ejidatarios) could not sell, rent or mortgage their land, and thus faced difficulty in raising credit. Many private farmers, unsure if their land will be taken away from them, were also unable or unwilling to borrow money.

Under the reforms, the constitutional right to land has been scrapped. Mexico's 3m ejido farmers will for the first time become landowners (rather than landusers) and, as ejidos, they will also be able to form joint ventures with both Mexican and foreign agricultural businesses without legal restrictions.

If they prefer, they can become individual private property owners. At the same time, private sector farmers who combine to form limited companies will be able to farm up to 2,500 hectares of irrigated land. Previously they could only farm up to 100 hectares.

The government hopes that the reforms, and the more secure property rights they create, will attract new investment in capital and technology. This, it believes, will raise productivity, increase wages and reduce poverty in the rural sector.

There are signs that the hoped-for investment will be forthcoming. Grupo Pulsar, Mexico's largest tobacco group, is planning considerable investment in agro-industry, according to Mario Rodriguez, director of banking affairs.

"The major factor is the credibility that the changes in the constitution give private investors," says Mr Rodriguez.

Other Mexican companies have planned similar joint ventures, building on the 100 or so that had overcome legal obstacles, and are already in place.

Foreign agricultural companies are also changing their attitudes towards investing in Mexican agriculture.

"In the past, many people did not bother to make fixed capital investments" says Mr Ken Foster of AmFin, a consultancy company specialising in agro-industry. He says that lack of capital and legal uncertainties made it difficult to enforce contracts and were a disincentive to foreign businesses.

Mr Foster forecasts big demand in investments in labour-intensive crops (vegetables) and winter crops, such as citrus fruits.

But transforming Mexico's rural sector will take time and, for certain sectors, the adjustment will be painful. Most of Mexico's desperately poor 2.3m maize farmers will not benefit in the short term. They are unlikely to find buyers for their poor unirrigated land, unsuitable for fruits or vegetables.

Moreover, the conclusion of a free trade agreement with the US would spell serious difficulties for maize farmers. Mexican maize prices are about 70 per cent higher than in international markets.

To reduce the impact, the government has promised a phased liberalisation of the maize market and is also planning a large infrastructure programme to raise agricultural productivity and increase irrigation.

The government hopes that an ambitious programme of public investment in irrigation will complement private investment in value-added crops. Mexico will gradually import more maize, paid for out of crash crops.

The government's policy of agricultural reform will also bring broader political risks. In particular, it will reduce the ability of the ruling party to control the rural vote.

Under the ejido system the PRI could buy support by handing out and taking away land according to political necessity. Land disputes were settled by the agrarian reform ministry, which in Mexico meant the PRI.

The task of overseeing the agricultural changes will therefore test President Salinas's political skills to the full. But the betting in Mexico is that Mr Salinas will get away with the agricultural changes - as he has done with all his other gambles to date.

The PRI's convincing win in last year's mid-term elections showed that it can attract the urban lower and middle class vote. The conservative opposition party has for some time called for many of the changes now proposed by the president.

Above all, recent privatisations and buoyant tax revenues have given the president a war chest of billions of dollars to provide agricultural irrigation and ease the pain of change.

Chinese copper imports signal rising demand

By Kenneth Gooding, Mining Correspondent

METALS MARKET analysts are keeping a careful watch on statistics emerging from China because some believe that the country might well this year return as a big buyer.

Already persistent rumours suggest the Chinese are looking for between 50,000 and 100,000 tonnes of copper in 1992. That would have a substantial impact on the predicted supply surplus – forecast to be between 100,000 and 200,000 tonnes.

China's total copper imports were only 40,251 tonnes last year, but Codelco, Chile's state-owned producer, said it sold 15,000 tonnes to China last month and expects to do the same in January.

Traders suggest imports are not confined to refined metal. The Chinese have also bought copper scrap, blister and concentrates.

Mr Euan Worthington, analyst at the S G Warburg financial services group, says copper has been in short supply in China for many years. In 1990 mine output is estimated to have reached only 360,000 tonnes. Refined copper production was 490,000 tonnes.

Geologists have recently found six large copper deposits but some observers believe that the country will not be self-sufficient in copper until the end of the decade and could become an increasingly important importer, says Mr Worthington in Warburg's latest International Mining Outlook report.

Other metals are also likely to feel the impact of China's recent dramatic economic growth. According to the World Bureau of Metal Statistics, at the recent peak, in 1985, China's net imports of aluminium totalled 482,500 tonnes; those of copper were 356,000 tonnes; and those of zinc were 269,000 tonnes. Lead net imports were at their highest in 1984 at 6,400 tonnes. As for tin, China's export performance makes a substantial difference to the market's health. In 1985, for example, it exported 7,300 tonnes of tin. In 1989 this doubled to 15,900 tonnes.

PER CAPITA METAL CONSUMPTION (lbs)

1990	Alum	Cop	Lead	Nick	Tin	Zinc
China	1.31	1.03	0.50	0.055	0.036	1.01
Japan	41.32	26.88	7.14	2.73	0.50	13.94
US	38.40	19.09	11.32	1.11	0.33	8.80
USSR	12.98	7.63	4.98	0.88	0.16	7.02
India	1.01	0.32	0.19	0.03	0.01	0.32

Source: S.G. Warburg

"The potential for base metal demand from China to increase is huge – a position that will be tempered only by the availability of foreign exchange and the existing infrastructure," says Mr Worthington.

Mr Worthington points out that, along with copper, aluminium has been identified as a metal of major importance and, although China's nine smelters have the capacity to produce nearly 1m tonnes a year, it is still a net importer – 72,000 tonnes last year, down 59 per cent from 1989.

He says that it is very difficult to obtain a true picture of China's metal production and consumption.

World Bureau statistics show 1990 demand for aluminium at 650,000 tonnes but other sources suggest it was as high as 950,000 tonnes.

China is the fourth-largest non-ferrous metals producer in the world behind the US, the former Soviet Union and Canada. The China National Non-ferrous Metals Industry Corporation was established in 1983 and controls more than 300 base metals mines, of which about 11 are large-scale, 1m-tonnes-per-year ore producers.

WORLD COMMODITIES PRICES

MARKET REPORT

Zinc prices fell away from three-month highs on the LME on profit taking following news that the force majeure at Peru's Cajarmarquilla refinery is to be lifted next week. The market had entered an area of stiff historic resistance between $1,220 and $1,230 a tonne for three-month metal, which closed at $1209, up $11 on the day. In addition to recent production stoppages, the market is being supported by tightness of May delivery metal, dealers said. Three-month aluminium repeatedly failed to erode resistance at $1,320 a tonne and closed at the day's lows on merchant selling and long liquidation. Another rise in LME warehouse stocks is likely today following fresh arrivals of metal in Europe from the CIS. Nickel was mostly higher on short covering following Wednesday's bounce from important support at the eight-week low of $7,400 a tonne. Nymex platinum futures were higher at midday after a buying spree by locals triggered some buy-stop orders. New York arabica coffee prices were lower at midsession but May was holding above support at 68.20 cents per lb. Dealers said the market was continuing to monitor discussions about price support measures among producers in advance of ICO talks next month.
Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.40-5.50w	+0.20
Brent Blend (dated)	$17.40-7.50w	+.175
Brent Blend (Apr)	$17.60-7.70	+.225
W.T.I. (1 pm est)	$18.80-8.85w	+0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-200	-2
Gas Oil	$158-159	+1
Heavy Fuel Oil	$72-74	+2
Naphtha	$179-180	+1
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$350.65	+0.7
Silver (per troy oz)♣	413.5c	+1.5
Platinum (per troy oz)	$365.00	+4.5
Palladium (per troy oz)	$84.25	+0.6
Copper (US Producer)	105.88c	+0.05
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.10r	+0.01
Tin (New York)	256.5c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.32p	+0.32
Sheep (live weight)†♠	101.81p	+0.28
Pigs (live weight)†	95.18p	-0.07
London daily sugar (raw)	$208.9v	-1
London daily sugar (white)	$264.4v	-0.1
Tate and Lyle export price	£229.5	+1
Barley (English feed)	£120.75	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	53.00p	
Rubber (May)♥	53.25p	
Rubber (KL RSS No 1 Mar)	211.0m	+0.5
Coconut oil (Philippines)§	$845.0t	+30
Palm Oil (Malaysian)§	$390.0q	+2.5
Copra (Philippines)§	$425.0w	+10
Soyabeans (US)	£159.0q	+4
Cotton "A" Index	55.85c	-0.55
Wooltops (64s Super)	480p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jun/Jly u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr †Meat Commission average fatstock prices * change from a week ago ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	180.80	182.60	182.40 179.80
Aug	185.20	187.00	186.80 184.80
Oct	186.80	188.40	188.40 186.20
White	**Close**	**Previous**	**High/Low**
May	262.0	262.5	263.0 261.5
Aug	265.0	266.0	265.7 264.6
Oct	256.0		258.5 256.4

Turnover: Raw 310 (247) lots of 50 tonnes. White 848 (1479)
Paris- White (FFr per tonne): May 1600.62 Aug 1540.41

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Apr	17.62	17.42	17.66 17.35
May	17.66	17.49	17.69 17.41
Jun	17.70	17.55	17.72 17.47
Jul	17.70	17.54	17.71 17.50
Aug	17.62	17.60	17.62 17.62
Dec	17.69	17.65	17.69 17.69
IPE Index	17.38	17.32	

Turnover 13004 (17912)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	159.00	157.75	159.00 158.75
Apr	159.50	157.50	159.50 158.75
May	160.25	159.00	160.75 158.50
Jun	162.25	161.00	162.50 160.25
Jul	164.25	163.00	164.25 162.00
Aug	166.50	165.00	166.50 164.00
Sep	167.50	167.25	168.00 166.50
Oct	170.75	169.75	170.75 169.50
Nov	172.00	171.00	172.00 170.50

Turnover 8114 (22747) lots of 100 tonnes

FRUIT & VEGETABLES

Cape William Bon Chretien pears are this weeks best fruit buy at 40-65p a lb, Reports the FFVIB. Other good buys include Jaffa white grapefruit at 12-20p each, Florida pink grapefruit at 30-45p each, Kiwifruit at 12-20p each and early forced rhubarb at 40-65p a lb. Cauliflower is superb at 55-75p each. Egyptian potatoes at 18-25p and varieties from Cyprus at 35-40p a lb are plentiful. Round lettuce at 30-35p each and iceberg are 70-90p each. There are some designer lettuces to choose from this week, including: Radicchio at £1.00-1.50 each, Oak Leaf at 95p-£1.10 each and Lollo Rosso at £1.00-1.20 each.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	663	668	651 646
May	676	686	678 669
Jul	705	714	707 697
Sep	730	738	733 723
Dec	765	773	767 758
Mar	796	804	800 791
May	817	823	810 810
Jul	836	843	832
Sep	855	862	857 850
Dec	863	886	878

Turnover: 4159 (4847) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar.4 841.38 (862.88) 10 day average for Mar.5 869.91 (882.02)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Mar	787	810	789 772
May	808	830	815 797
Jul	832	854	835 820
Sep	854	876	857 847

Turnover:3320 (3305) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar.4: Comp. daily 55.50 (56.48) 15 day average 55.28 (55.36)
Sterling close: March £484

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	120.8	133.0	122.0 119.5
May	143.5	147.8	145.5 143.0
Apr	130.0	132.9	132.0 130.8

Turnover 125 (188) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	131.50	129.5	

Turnover 0 (15) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Mar	1275	1290	1278 1270
Apr	1333	1345	1335 1315
May	1320	1333	1320 1310
Jul	1153	1155	1150 1130
Oct	1297	1275	1300 1280
Jan	1298		1325
BFI	1227	1228	

Turnover 250 (455)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	123.55		124.10
May	127.00	127.60	127.50 127.00
Jun	128.70	129.50	129.10 128.80
Sep	112.60		112.50
Nov	115.85	115.60	115.95 115.80
Jan	118.65	118.35	118.70 118.60
Mar	122.65	122.45	122.75 122.65
Barley	**Close**	**Previous**	**High/Low**
May	117.40	117.75	117.00

Turnover: Wheat 394 (289), Barley 5 (7).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Apr	118.5	119.5	119.3
May	118.0	118.5	118.0
Jun	116.5	117.0	116.0
Jul	110.5	110.8	110.0

Turnover:48 (71) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 28,538 lots
Cash	1293-4	1289.5-90.5	1294	1295-5.5		
3 months	1317-7.5	1315-16	1324/1307	1319.5-20	1309-10	180,809 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,855 lots
Cash	1318-9	1313.5-14.5	1318.5/1313	1318-8.5		
3 months	1334-4.5	1328.5-29	1336/1328	1333.5-4.0	1330-31	121,144 lots
Lead (£ per tonne)						Total daily turnover 2,469 lots
Cash	303.5-4.5	305.5-6.5	304.5	304.25-4.50		
3 months	313-4	316-6.5	316/312	314.25-4.50	311.5-12	14,976 lots
Nickel ($ per tonne)						Total daily turnover 3,258 lots
Cash	7450-60	7470-80	7445	7440-50		
3 months	7565-75	7580-60	7585/7480	7525-30	7585-90	23,727 lots
Tin ($ per tonne)						Total daily turnover 1,182 lots
Cash	5585-95	5590-600		5570-75		
3 months	5625-30	5630-40	5625/5615	5615-20	5620-25	5,802 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 16,876 lots
Cash	1215-7	1200-2		1208.5-9.0		
3 months	1220-1	1209-10	1221/1211	1214-15	1217-19	45,752 lots

LME Closing £/$ rate:
SPOT: 1.7167 3 months: 1.6922 6 months: 1.6686 9 months: 1.6479

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	350.50-350.80	
Opening	350.50-350.80	
Morning fix	349.80	203.884
Afternoon fix	349.80	204.202
Day's high	351.30-351.80	
Day's low	349.40-349.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.60	6 months	3.61
2 months	3.59	12 months	3.64
3 months	3.60		

Silver fix	p/fine oz	US cts equiv
Spot	239.45	411.00
3 months	245.50	415.15
6 months	251.65	419.70
12 months	263.55	430.40

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	350.00-351.00	204.25-204.75
Maple leaf	361.00-362.00	210.50-211.00
New Sovereign	85.50-86.50	50.00-50.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	123	142	10	17
1300	55	77	41	50
1400	18	35	104	107
Copper (Grade A)	**Calls**		**Puts**	
2100	109	119	8	22
2250	42	52	40	62
2350	10	19	107	128
Coffee	**May**	**Jul**	**May**	**Jul**
750	52	84	4	12
800	27	52	19	37
850	8	34	61	62
Cocoa	**May**	**Jul**	**May**	**Jul**
675	23	51	22	21
700	13	37	37	32
725	7	27	58	47
Brent Crude	**Apr**	**May**	**Apr**	**May**
1750	26	54	23	
1800	7		61	
1850		18		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	351.4	350.8	0	0
Apr	352.3	351.8	352.5	350.2
May	353.6	352.8	0	0
Jun	354.6	353.9	354.8	352.6
Aug	356.9	356.2	356.6	355.3
Oct	359.2	358.4	0	0
Dec	361.7	360.8	361.8	359.8
Feb	364.3	363.4	0	0
Apr	366.9	366.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	365.1	361.4	0	0
Apr	367.1	363.4	368.0	363.0
Jul	368.5	362.9	366.5	363.5
Oct	369.1	365.4	366.0	366.0
Jan	369.1	365.4	366.0	366.0
Apr	369.0	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	413.3	411.9	416.0	410.0
Apr	414.6	412.4	0	0
May	415.6	414.3	418.5	412.5
Jul	419.8	417.5	422.0	416.0
Sep	423.5	421.1	0	0
Dec	429.2	426.8	430.5	426.0
Jan	430.9	428.3	0	0
Mar	435.3	432.6	0	0
May	439.9	437.1	0	0
Jul	444.5	441.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	101.85	102.40	102.70	101.30
Apr	101.85	102.85	102.75	102.70
May	101.75	102.45	102.75	101.25
Jun	101.35	102.15	101.30	101.30
Jul	101.00	101.45	101.80	100.60
Aug	100.75	101.20	0	0
Sep	100.45	100.90	101.15	100.10
Oct	100.30	100.75	0	0
Nov	100.20	100.60	0	0
Dec	100.05	100.45	100.65	99.60

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.12	8.23	8.16	8.05
Jul	8.25	8.34	8.30	8.21
Oct	8.38	8.46	8.40	8.35
Mar	8.50	8.58	8.59	8.55
May	8.63	8.66	8.63	8.63
Jul	8.67	8.75	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.82	18.63	18.86	18.58
May	18.97	18.79	18.99	18.71
Jun	19.07	18.90	19.09	18.83
Jul	19.11	18.96	19.15	18.90
Aug	19.12	18.99	19.13	18.97
Sep	19.12	19.01	19.12	18.98
Oct	19.12	19.03	19.12	18.97
Nov	19.11	19.06	19.11	19.04
Dec	19.18	19.07	19.18	19.05
Jan	19.13	19.03	19.15	19.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5225	5142	5235	5120
May	5195	5126	5200	5108
Jun	5190	5119	5200	5110
Jul	5220	5160	5230	5150
Aug	5280	5230	5290	5275
Sep	5405	5355	5420	5410
Oct	5505	5465	5505	5440
Nov	5605	5585	5605	5605
Dec	5730	5695	5725	5650
Jan	5760	5695	5750	5699

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1015	1028	1024	1005
May	1052	1058	1057	1035
Jul	1088	1091	1092	1071
Sep	1120	1125	1125	1110
Dec	1165	1170	1170	1164
Mar	1209	1210	1208	1197
May	1238	1237	1236	1222
Jul	1268	1267	0	0
Sep	1301	1300	0	0
Dec	1336	1335	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	67.25	68.95	68.75	67.25
May	68.40	70.10	69.50	68.10
Jul	71.15	72.80	71.80	70.60
Sep	73.50	75.25	74.30	73.35
Dec	76.65	79.00	77.50	76.20
Mar	80.00	82.50	81.00	79.80
May	83.00	85.15	83.60	83.60
Jul	86.50	88.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	142.35	140.70	142.40	140.70
May	138.75	136.35	138.75	137.75
Jul	135.50	136.00	135.50	134.90
Sep	130.60	129.05	130.50	129.50
Nov	121.60	121.00	122.00	122.00
Jan	121.50	121.00	121.50	121.50
Mar	121.25	121.00	0	0
May	121.25	121.00	0	0
Jul	121.25	121.00	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	53.70	54.00	54.35	53.70
May	55.10	55.84	55.80	55.05
Jul	56.90	57.50	57.48	56.81
Oct	59.56	60.06	59.95	59.45
Dec	60.31	60.60	60.65	60.25
Mar	61.87	62.50	0	0
May	62.50	63.10	62.40	62.40
Jul	62.90	63.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar. 5	Mar.4	mnth ago	yr ago
1818.9	1826.4	1826.5	1707.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar. 4	Mar.3	mnth ago	yr ago
Spot	117.98	118.24	117.57	125.82
Futures	122.80	122.84	122.30	130.63

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	588/2	590/0	591/0	587/0
May	597/0	599/0	600/0	595/6
Jul	607/4	609/4	610/0	606/0
Aug	612/4	614/2	614/4	611/0
Sep	614/4	616/2	617/6	614/0
Nov	623/4	625/0	626/0	622/2
Jan	631/2	634/4	634/4	630/4
Mar	640/0	643/0	643/4	640/0
May	647/0	650/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.45	20.40	20.46	20.32
May	20.70	20.69	20.75	20.57
Jul	21.02	21.00	21.05	20.86
Aug	21.19	21.17	21.20	21.05
Sep	21.32	21.30	21.35	21.18
Oct	21.43	21.45	21.45	21.33
Dec	21.71	21.70	21.77	21.62
Jan	21.77	21.77	0	0
Mar	21.95	22.00	0	0
May	22.02	22.12	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	176.0	177.4	177.4	175.5
May	178.1	179.7	179.8	177.9
Jul	180.8	182.5	182.5	180.5
Aug	181.8	183.4	183.1	181.6
Sep	183.0	184.7	184.4	182.8
Oct	196.1	199.3	199.3	197.8
Dec	199.5	200.9	201.0	199.0
Jan	200.0	201.0	200.5	200.0
Mar	200.5	202.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	267/0	267/4	268/6	266/0
May	275/2	275/0	277/2	274/2
Jul	280/2	280/4	282/6	279/4
Sep	276/4	276/2	278/0	275/6
Dec	273/0	272/4	274/2	271/6
Mar	279/2	278/6	280/0	278/0
May	282/0	281/4	283/6	281/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	400/4	397/6	408/4	399/0
May	394/0	391/0	399/4	391/4
Jul	381/4	376/6	387/0	378/0
Sep	385/0	380/2	390/4	380/4
Dec	393/4	389/0	399/0	389/0
Mar	396/0	392/4	402/0	393/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	78.800	78.750	78.900	78.600
Jun	74.525	74.475	74.675	74.300
Aug	70.000	69.875	70.200	69.900
Oct	68.575	68.800	69.000	68.500
Dec	69.375	69.450	69.500	69.200
Feb	68.950	68.925	69.250	68.950

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.375	40.225	40.600	40.300
Jun	45.175	45.100	45.425	45.075
Jul	45.200	45.375	45.625	45.150
Aug	43.600	43.725	43.825	43.575
Oct	40.700	40.625	40.750	40.500
Dec	43.625	43.625	43.975	43.550
Feb	44.850	44.575	44.950	44.575
Apr	42.450	42.250	42.450	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	34.300	34.425	34.700	33.875
May	35.525	35.800	36.150	35.250
Jul	36.525	36.700	37.100	36.350
Aug	35.350	35.625	36.100	35.325
Feb	48.500	49.300	48.500	48.250
Mar	46.600	48.500	46.800	46.500
May	48.500	0	48.500	47.500

LONDON STOCK EXCHANGE

Equities upset by political concerns

By Terry Byland, UK Stock Market Editor

POLITICAL and economic factors returned to centre stage in the London stock market yesterday, competing with the flow of corporate results for the attention of investment fund managers.

An opinion poll, unconfirmed but clearly leaked in the UK press, indicated a five point lead for the Labour opposition party in key marginal electoral constituencies, and set the background for a weak stock market. Equally disturbing was a fall in sterling and in UK government bonds, both challenging confidence in prospects for the cut in base rates which has been virtually built in to stock market calculations.

The market opened lower, with confidence additionally bruised by the 21 point fall in the Dow Industrial Average overnight, and soon began to follow the downward trend of other European bourses. At the day's low point, the FT-SE Index was 23.5 down at 2,534.9 but London steadied when Wall Street cut its loss to 1.57 early in the new session. The final reading showed the FT-SE at 2,538.3, down 20.1.

Account Dealing Dates		
*First Dealings:		
Feb 24	Mar 9	Mar 23
Option Declarations:		
Mar 5	Mar 19	Apr 2
Last Dealings:		
Mar 6	Mar 20	Apr 3
Account Day:		
Mar 16	Mar 30	Apr 13

*New-time dealings may take place from 8.30 am two business days earlier.

Trading volume remained high, boosted by completion of the trading programme which surfaced at the close of the previous session, and also by a handful of large corporate trades. The trend was established early when Singer & Friedlander, the merchant bank, followed up the deals reported late on Wednesday by announcing that it was operating the authorised purchase of up to 33.6m shares.

The company reporting list was again heavy and, on balance, favourable to the market's confidence. Rolls-Royce, the aero-engine group, supported the recent trend by maintaining its dividend payment in spite of a heavy fall in profits. Results from Ladbroke, the leisure and hotels group, were also well taken in the market.

But the mood of the equity sector sounded less than happy as strategists weighed up the outlook ahead of the budget speech on Tuesday and the UK general election expected to follow soon after. Government bonds, a full point off on Wednesday, shed a further half point at one stage yesterday as investors continued to shy away from warnings regarding the level of the Public Sector Borrowing Requirement.

Pharmaceutical stocks, which exert considerable influence on the Footsie, looked steadier at first as the sector tried to rally from its weakness on Wall Street. But by the close, most of the leading names were easier, and the sector lacked the support from the US which will be needed for a genuine recovery in London. Wellcome, however, continued to stabilise after the setback provoked by the Foundation's decision substantially to reduce its stake in the equity.

The bout of nerves surrounding base rate hopes showed itself in a round of losses among store and similar consumer issues, whose fortunes are closely linked with hopes that a revival in consumer spending will lead the way out of recession in the UK.

Seaq volume increased sharply to 608.4m shares from 530.5m in the previous session. Wednesday's retail, or customer-originated, business was worth £1.2bn, once again indicating a return to healthier trading levels in the London equity market. Trading volumes have increased significantly in the past two sessions, both featured by weaker share prices.

Rolls firm on dividend

RELIEF greeted news of a maintained dividend by Rolls-Royce, as the company reported a 71 per cent fall in profits to £51m, the bottom end of expectations. The dividend was maintained at 4.7p, making a year's total of 7.25p.

Release of the figures saw the shares race forward and at the day's best they were 12 up, as analysts pointed to a better cash position than had been feared. The slow recovery in the spares business attracted attention at an analysts' meeting with the board, however, and after this the shares relinquished earlier gains to close only 6 up at 146p. Turnover was heavy at 16m shares.

Mr Clive Forrestier-Walker at Charterhouse Tilney said: "This is a good result in a difficult year with a sustained recovery in prospect over the next few years." The range for current year forecasts is between £100m to £150m.

Raine surprises

Raine Industries, the housebuilding group, delivered two surprises to the market by its acquisition of Walter Lawrence, the Hertfordshire-based builder, and its proposed £33.5m rights issue to help fund the deal.

Raine launched its agreed offer for Lawrence via a one-for-two share swap. Raine shares fell heavily after the news, closing 14 off at 110p on turnover of 567,000, but those of Lawrence more than doubled at one point to 50p prior to ending a busy session at 46p, up 23.

Yesterday's developments accompanied Raine's interim results which showed profits struck after a £8.4m write-down of its near-3 per cent stake in YJ Lovell, the construction group.

Raine built the stake last summer before Lovell announced a rights issue and before its share price plummeted in response to heavy losses, dividend omission and disclosure that it had breached its banking covenants.

Power downgrades

Barclays de Zoete (BZW), the investment bank, appeared to have been largely responsible for hefty turnover and share price falls in National Power and PowerGen. The latter dropped 7 to 286p on 5.5m shares traded while the former was also 7 down at 223p on 2.6m shares.

Mr Chris Rowland, electricity industry analyst at BZW, in a detailed and bearish review of the two generators, evaluated their prospects after 1993, when they will lose protection of the existing contracts with the regional electricity companies.

"We believe the inevitable consequences of a period of lower margins for the two companies in the mid-1990's will be much reduced levels of profitability with dividend security threatened," said Mr Rowland.

He considers both shares overvalued by one third relative to the market. He predicts that National Power profits will drop from an expected £560m for 1993 to £250m for 1994 and those of PowerGen from £370m in 1993 to £170m in 1994.

Ladbroke steady

Reporting trading figures from its interests ranging from hotels to betting-shops, Ladbroke turned in satisfactory results, the shares adding 5 to 229p in very heavy volume of 7.3m. Analysts declared themselves pleased with the disclosures from the normally somewhat reticent group, including the details on the property and hotel businesses. A dividend increase above expectations also helped sentiment.

Improving hotel occupancy figures, particularly abroad, an improved outlook for the betting industry, and satisfaction that the group had gone some way towards addressing its property write-downs inspired most houses to upgrade profit forecasts for 1992. County NatWest is looking for a gross £245m, Hoare Govett £250m, Smith New Court £275m, with no capitalisation on property, and UBS Phillips & Drew is on £230m, net of any hotel disposals.

Prudential, removed from County NatWest's list of 30 best buys, fell 4 to 239p. Composites were given a mauling, as marketmakers chopped their prices to head off any attempted selling. Low levels of turnover in the stocks, proved they had been successful. Royal Insurance was the weakest performer, sliding a further 10 to 176p.

Insurance broker Lloyd Thompson, due to report interim figures soon, drew strong support and closed 10 higher at 240p.

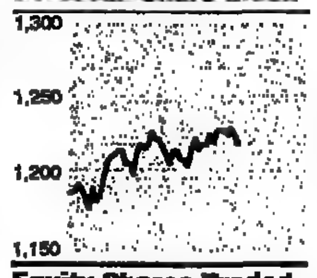
Singer & Friedlander were nudged up 3 to 44p after James Capel, the stockbroker moved into the market to buy up to 33.55m shares at 40p a share for cancellation. Volume in Singer shot up to 63m, indicating that most of the stock had been bought in. A large line of Singer stock, some 7.7m shares, changed hands late on Wednesday. Specialists said the rise in Singer's share price reflected the increase in assets per share after the stock buy in.

The recent resilient performance of BP shares was reversed yesterday as US institutions reacted to claims of an uninspiring presentation in New York on Wednesday evening, by Mr John Browne, BP's head of exploration and production activities. News that BP Canada had passed its interim dividend was an added depressant.

The BP Canada news was described by one oil specialist as "immaterial in cash terms to BP but nevertheless a story that has ruffled feathers on Wall Street".

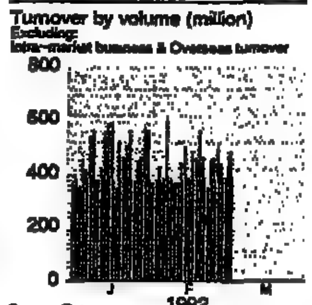
With the US buying spree at least temporarily at an end, BP shares retreated to 262p before steadying and ending the session a net 4½ lower at 265p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

Turnover of 8.3m shares, although ahead of average activity levels, was well down on recent sessions.

The smaller oil stocks suffered from the effects of a programme trade made up entirely of second line exploration issues. These included Clyde, 2 off at 58p, Goal, 3½ down at 55p, Premier, a penny easier at 23p and Monument Oil & Gas, ¾ off at 31¼p.

More speculation over the possibility of Thorn EMI winning the battle for Virgin's music division again undermined the shares which fell 12 to 785p.

Good volume in Granada Group pushed the shares 7 higher at 255p as the market reflected on Wednesday's AGM and upcoming institutional presentation on BSkyB. Turnover reached 4.9m.

A rally by Unilever was against the market trend, rising 8 to 942p in reaction to speculation that the company will sell off its animal feeds business.

Results from United Biscuits are due next Thursday. The shares fell 7 to 412p despite a forecast from County NatWest that 1991 profits will rise 4 per cent to £206m.

The recent decline by Bass continued, with the shares losing another 13 to 548p, declining from 579p at the end of last week. Analyst Mr Christopher Wickham, at Shearson Lehman Brothers, said it was hardly surprising that Bass has been hit by profit-taking after a good run. He fears that the company's major divisions, with the possible exception of soft drinks, are probably performing worse than last year.

Recent bid rumours supported Boddington, with the shares rising 4 to 188p ahead of the results on March 25.

BAA retreated 15 to 563p after James Capel weighed in with a profits down-grading. The broker reduced its profits forecast by £20m to £185m for the year to March 1992. Miss Yasmin Harrison, at James Capel, believes "there will be further write-downs in BAA's Central London properties and slower-than-expected traffic recovery".

Simon Engineering powered ahead, jumping 19 to 271p after County NatWest included the stock on its list of 30 best buys.

The leaked opinion poll pointing to a substantial Labour lead over the Conservatives in key marginal constituencies, triggered a minor shakeout in the utilities areas of the market. But dealers emphasised there were no signs of the big institutions hitting the panic button to sell the sectors ahead of the election; "there was no shortage of sellers but much of it was straightforward profit-taking," said one dealer. Turnover figures confirmed this, with Anglian Water slipping 11 to 358p on meagre activity of 313,000 shares.

MARKET REPORTERS:
Colin Millham, Joel Kibazo, Christopher Price, Steve Thompson

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (55).
AMERICANS (4) Dial, Dun & Bradstreet, Echlin, Sear Roebuck, BANKS (1) HSBC, BUILDING MATERIALS (2) Heywood Williams, Do. Cv. Prf., BUSINESS SERVICES (2) Davis Service, Hogg Robinson, Welpac, CHEMICALS (2) BOC, Engelhard, CONGLOMERATES (3) Bodycote, Jardine Hldgs., Wassall, CONTRACTING & CONSTRUCTION (2) Bellway, Wilson Bowden, ELECTRICALS (3) Chemring, China Light, Delta, ELECTRONICS (2) Farnell, Hewlett-Packard, ENGINEERING GENERAL (5) Elga, Metalrax, Powerscreen, Victaulic, Weir, FOOD MANUFACTURING (3) Nichols (Vimto), Salvesen (Ch), Taveners, FOOD RETAILING (1) Iceland Frozen, HEALTH & HOUSEHOLD (3) Intercare, Lile Sollivan, Macarthy, HOTELS & LEISURE (3) Euro Disney, Granada, Do. 7.5p Cv. Prf., INVESTMENT TRUSTS (3) Beta Global Emrg. Mkts., General Cons. Stppd. Prf., St. Davids Zero Prf., MEDIA (2) Metal Bulletin, Ulster TV, MISCELLANEOUS (2) Airsprung Furn., Alumasc, MOTORS (2) Davenport Vernon, Jessups, OTHER FINANCIAL (2) Lon. Forfaiting, Swire Pacific A, PACKAGING, PAPER & PRINTING (2) Brit. Polythene, Do. 7½pc Prf., PROPERTY (1) HK Land, TEXTILES (5) Coats Viyella, Dawson Intl., French (Th), Ingham, Readicut.

NEW LOWS (58).
BRITISH FUNDS (1) Tr. 9pc 2012, BREWERS & DISTILLERS (1) Hoskins, CHEMICALS (1) Suttiffe Speakman, CONGLOMERATES (2) Ensor, Gieves, ELECTRONICS (3) Hartland Simon, Radius, ENGINEERING GENERAL (2) Hadleigh Inds., Sykes-Pickavant, HOTELS & LEISURE (2) Allied Leis., Stakis, INSURANCE BROKERS (2) Archer (A.J), FIRE, INSURANCE COMPOSITE (1) Royal, INVESTMENT TRUSTS (11) Candover Inv., City of Oxford Wrnts., Kleinwort High Inc., M & G Dual Inc., M & G Inc. Geared Units, M & G Inc. Cap., Murray Split Cap., River Plate, Do. Wrnts., Schroder Japanese Wrnt., Sumit, MISCELLANEOUS (1) LGW, OIL & GAS (7) Brit. Borneo, Cairn Energy, Caspen Oil, Clyde Petrlm., Pict Petrlm., Premier Cons., Triton Europe, PROPERTY (15) Asda Prop., Bourne End, Bredero, Britannia, British Land, Clarke Nickolls, Debenham Tewson, Derwent Valley, Land Securities, MEPC, Merivale Moore, Ossory Ests., Regalian, Slough Ests 8¼p Prf., Wates City of Lon., STORES (2) Austin Reed, Mallett, TEXTILES (1) Ricoarda, MINES (4) Beatrix, Chief Res., ERGO, Greenwich Res.

FINANCIAL TIMES STOCK INDICES

	Mar 5	Mar 4	Mar 3	Mar 2	Feb 28	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	87.42	87.76	88.15	88.28	88.35	85.13	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	100.79	101.01	101.22	101.33	101.38	93.33	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1970.6	1988.5	1987.0	1981.2	1983.0	1950.6	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	126.5	126.0	130.1	128.9	130.2	143.4	222.8 (11/7/91)	126.0 (4/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2538.3	2558.4	2565.4	2554.3	2562.1	2437.7	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1187.90	1200.08	1198.84	1192.13	1195.15	1127.13	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
● Ord. Div. Yield	4.53	4.50	4.47	4.50	4.50	4.98				
● Earning Yld %(full)	6.44	6.33	[illegible]	6.52	6.53	9.50				
● P/E Ratio(Net)(*)	19.63	19.79	19.38	19.28	19.26	12.68				
SEAQ Bargains 5.00pm	36,656	34,671	34,513	32,609	32,419	51,556				
Equity Turnover(£m)†	-	1224.8	1124.4	861.6	962.8	1384.22				
Equity Bargains†	-	39,398	38,838	36,904	36,336	55,035				
Shares Traded (ml)†	-	486.3	465.4	387.6	432.3	686.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.64

Ordinary Share Index, Hourly changes Day's High 1984.4 Day's Low 1967.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1984.4	1983.3	1980.3	1970.1	1969.2	1969.7	1971.5	1967.8	1970.5

FT-SE 100, Hourly changes Day's High 2555.4 Day's Low 2534.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2555.4	2552.5	2547.9	2539.0	2538.5	2540.7	2542.1	2536.4	2539.3

FT-SE Eurotrack 200, Hourly changes Day's High 1191.92 Day's Low 1186.21

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1191.38	1190.80	1188.69	1187.48	1190.36	1190.58	1188.09

GILT EDGED ACTIVITY

Indices*	Mar 4	Mar 3
Gilt Edged Bargains	123.3	105.4
5-Day average	124.1	134.3

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	125	515	-10	Cookson	1,400	112	-2	Lucas	1,500	116		Shell Transport	2,700	445	-4
ASDA Group	3,400	38	-½	Courtaulds	1,100	427	-3	MB Caradon	683	275		Siebe	474	578	
Abbey National	2,500	[illegible]	-3	Dalgety	743	[illegible]	-1	MEPC	746	307	+1	[illegible]	74	197	-2
Albert Fisher	2,500	64	+1	De La Rue	1,000	579	-6	Manweb	239	[illegible]	-8	Smith (W.H.) A	243	480	-6
Allied-Lyons	[illegible]	643	-1	Dixons	1,400	235	-6	Marks & Spencer	3,300	316	-4	Smith & Nephew	1,400	147½	-1½
Amstrad	1,700	29	+1	ECC Group	303	505	-1	Midland Bank	1,200	303	-6	SmKl Beecham	941	907	-1
Anglian Water	313	358	-11	Eastern Elect.	2,800	356	-3	Midlands Elect.	198	277	-6	SmKl Beecham Uts	42	[illegible]	+2
Argos	1,100	257	-4	East Midland Elec.	527	288	-7	NFC	794	240	-2	Smiths Inds.	738	277	-3
Argyll Group	1,800	332	-4	Enterprise Oil	404	392	-5	NatWest Bank	4,300	319	-1	Southern Elect.	667	276	-6
Arjo Wiggins	1,300	247	-3	Eurotunnel Units	614	447	-7	National Power	2,800	223	-7	South Wales Elect.	135	321	-3
BP	9,800	265	-4½	ICI	1,200	1,305	-3	Rolls Royce	16,000	146	+6	Utd. Newspapers	388	365	-4
British Steel	8,100	73	+¼	Inchcape	[illegible]	468	-8	Rothmans	700	1,081	-15	Vodafone	1,800	365	
British Telecom	3,800	338	-2½	Kingfisher	1,400	526	-7	Ryl Bk Scotland	795	177	-1	Warburg (S.G.)	494	544	-9
Br. Telecom New	11,900	127½	-2	Kwik Save	256	584	+2	Royal Insurance	3,500	176	-10	Wellcome	601	1,089	+5
Bunzl	22	87		Ladbroke	7,300	229	+5	Saatchi	1,200	16½	-¼	Welsh Water	759	383	-3
Burmah Castrol	398	524	-6	Land Securities	1,200	435	-7	Sainsbury	1,400	390	-3	Wessex Water	212	438	-4
Burton	778	38½	-½	Laporte	418	604	+1	Scottish & New.	1,600	461	-1	Whitbread 'A'	752	438	-3
Cable & Wire	870	602	-7	Legal & General	987	381	-6	Scot. Hydro-Elect.	2,400	105	-1	Williams Hldgs.	2,100	315	+6
Cadbury Schweppes	2,200	480		Lloyds Abbey	188	361	-5	Scottish Power	8,300	103	-½	Wills Corroon	738	254	-6
Calor Group	1,000	192	+1	Lloyds Bank	1,000	415	-6	Sears	2,900	102		Wimpey	439	135	+1
Carlton Comms.	334	585		LASMO	1,400	258	-6	Sedgwick	378	221	-1	Wolseley	384	442	+5
Coats Viyella	327	194	+1	London Elect.	1,800	[illegible]	-5	Seeboard	350	278	-5	Yorkshire Elect.	1,100	323	-6
Comm. Union	979	465	-6	Lonrho	7,600	117		Severn Trent Water	1,800	380	+1	Yorkshire Water	52	394	-4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

A BIG seller in stock index futures early in the session triggered heavy falls in the March contract on the FT-SE and in the underlying cash market, writes Joel Kibazo.

March started the session at 2,560 and was squeezed higher to 2,564 within minutes of the market's opening.

However, a sizeable offer of the contract at around 10am started in what one dealer called "panic selling", sending March into retreat to trade at a discount to fair value for most of the session thereafter and also leading the underlying cash market lower.

The tentative opening on Wall Street and large buying from one securities house failed to halt further falls in the contract.

March closed at 2,542, some 3 points below its estimated fair value premium to cash of around 6. Turnover at 7,500 was an improvement on recent levels.

In LTOM, turnover was also healthy, reaching 36,401 contracts. The FT-SE 100 index option was particularly busy, trading 10,736 lots. Among stock options, Land Securities led the league table with 3,063 lots dealt. This was followed by BAT at 2,364, and Rolls-Royce, which reported full-year figures, at 2,258 lots traded.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
9pc 1992 ‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	10.00
10½pc Cv 1992 ‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	10.23
3pc 1992		[illegible]	—	[illegible]	[illegible]	3.04	7.97
Exch 12¼pc 1992		[illegible]	—	[illegible]	[illegible]	12.12	10.10
13½pc 1992		[illegible]	—	[illegible]	[illegible]	[illegible]	10.09
Treas 8¾pc 1993		[illegible]	—	[illegible]	94	[illegible]	[illegible]
10pc 1993 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12½pc 1993 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Funding 6pc 1993 ‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¾pc 1993 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14½pc 1994 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	12.61	[illegible]
Treas. 10pc Ln. 1994 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12½pc 1994		106	[illegible]	[illegible]	[illegible]	11.79	[illegible]
Treas 9pc 1994 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.11	[illegible]
12pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	11.36	[illegible]
Exch 3pc Gas 90-95		[illegible]	—	[illegible]	[illegible]	3.37	[illegible]
10¼pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12¾pc 1995 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 1992-96 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15¼pc 1996 ‡‡		116	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996 ‡‡		[illegible]	[illegible]	[illegible]	108	[illegible]	[illegible]
Conversion 10pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
Treas 13¼pc 1997 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 1997 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 15pc 1997		[illegible]	[illegible]	[illegible]	117	[illegible]	[illegible]
9¾pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¾pc 1995-98 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	7.53	[illegible]
15½pc '98 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

Index-Linked

OTHER FIXED INTEREST

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 06.03.92 / Final Prices for Trading on 07.02.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.03	17.13	17.13
0100	17.02	17.14	17.14
0130	17.05	17.15	17.15
0200	17.06	17.15	17.15
0230	17.03	17.13	17.13
0300	17.02	17.12	17.12
0330	17.02	17.11	17.11
0400	17.01	17.06	17.06
0430	17.01	17.04	17.04
0500	17.01	17.04	17.04
0530	17.02	17.10	17.10
0600	17.04	17.06	17.06
0630	17.03	17.12	17.12
0700	17.06	17.44	17.44
0730	18.63	18.25	20.33
0800	18.63	[illegible]	21.46
0830	[illegible]	18.47	20.56
0900	19.34	18.66	20.75
0930	19.69	19.85	21.98
1000	20.25	21.51	23.69
1030	18.36	21.51	23.69
1100	18.38	19.85	21.98
1130	18.38	19.85	21.98
1200	18.34	21.51	23.69
1230	18.38	21.51	23.69
1300	18.36	19.75	21.86
1330	18.33	19.68	21.77
1400	17.06	18.53	20.60
1430	17.05	17.46	17.46
1500	17.04	17.42	17.42
1530	17.04	17.34	17.34
1600	17.04	17.46	17.46
1630	17.04	18.53	20.61
1700	17.04	20.71	22.84
1730	17.05	25.41	27.56
1800	18.64	[illegible]	27.65
1830	18.64	25.40	27.62
1900	18.64	21.44	23.56
1930	18.64	20.30	22.40
2000	18.64	18.53	20.60
2030	18.63	18.32	20.38
2100	18.63	18.25	20.32
2130	18.33	18.16	20.22
2200	[illegible]	17.42	17.42
2230	17.04	17.15	17.15
2300	17.03	17.13	17.13
2330	17.02	17.11	17.11
2400	17.02	17.06	17.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Bank of Tokyo (Curaçao) Holding N.V.
U.S. $150,000,000
10 3/4 per cent. Guaranteed Bonds due 1998

NOTICE IS HEREBY GIVEN [illegible]

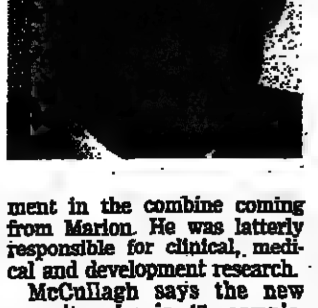
Bank of Tokyo (Curaçao) Holding N.V.
By: The Bank of Tokyo Trust Company as Fiscal Agent
Dated: March 6, 1992

APPOINTMENTS

Experience as well as pedigree

British Bio-technology's boss Keith McCullagh calls it "the brain drain in reverse"; the young and innovative Oxford-based pharmaceutical company has lured Peter Lewis from Marion Merrell Dow, the big American drug company, onto the board as its new head of research and development.

Lewis will oversee everything from basic research through to the registration of new drugs. Unlike many biotechnology company heads, McCullagh does not believe in hiring straight from academe – and Lewis has the industrial experience as well as the intellectual pedigree. At Merrell Dow since 1984, Lewis, who is English, was one of the few executives to be promoted to head office in Kansas City at the time of the 1989 merger – most of the senior management in the combine coming from Marion. He was latterly responsible for clinical, medical and development research.



McCullagh says the new recruit, who is 47, complements the skills of research director John Gordon, a pharmacologist whose strengths are in pre-clinical development. "As chief executive I had been acting head of research and development, so now I have more time to devote to the commercial development of the company," says McCullagh.

British Bio-technology has three drugs in clinical trial this year – p24-VLP, designed to delay the progression of Aids, which will shortly be tested on HIV-positive patients; a drug that may prevent the spread of primary cancers, and an anti-inflammatory treatment for asthma.

And why would Lewis be interested in moving back to Britain and a small company with nothing actually on the market? "Because he is enormously enthusiastic about the drugs we have in development," is McCullagh's answer.

Tyree quits Salomon for Lehman

American Daniel Tyree, who has left Salomon Brothers after 17 years, is to become vice chairman of Lehman Brothers International, where he will be running the day-to-day aspects of the investment bank's London-headquartered business.

Tyree, 43, who insists he left Salomon because he was "ready for a change after 17 years", says he looked carefully for a firm where he wanted to spend the rest of his working career.

Among the wave of resignations hitting the Wall Street firm, Tyree's is one of Salomon's more high profile losses. As head of the high yield bond business in New York for the past two years, he has successfully brought the firm up the league tables following the demise of Drexel.

Between 1987 and 1989, Tyree was based in London as head of Salomon's worldwide investment banking operations outside the US.

Lehman says the appointment is designed to supplement its management team in Europe. Tyree explained yesterday that he would be working closely with Steven Spiegel, current chairman and ceo of Lehman Brothers International, who will concentrate on developing the firm's overall European business.

■ Peter Hessey, formerly director of human resources and administration at the Mortgage Corporation, is appointed director of human resources at HILL SAMUEL FINANCIAL SERVICES.

■ Thomas Gadenne, head of Credit Lyonnais' domestic and Eurobonds desks in Paris and London, is appointed chief executive officer of CREDIT LYONNAIS EURO-SECURITIES in London.

■ Peter Derby has been appointed to the board of QUILTER GOODISON.

■ Alan Arscot, formerly investment director at English Trust, has been appointed a director of REA BROTHERS.

■ Charles Williams has been promoted to director of JO HAMBRO MAGAN.

■ Chris Witcher, deputy chief executive, has been appointed to the board of LAMBETH BUILDING SOCIETY.

■ Michael Burns is appointed group administration director of BWD RENSBURG; he moves from UBS Phillips & Drew.

■ Philip Dayer has been appointed head of corporate finance at SOCIETE GENERALE Merchant Bank in London.

■ Mike Timmins, formerly group treasurer of Premier Brands, has been appointed company secretary of NP RECORD and finance director of the group's main operating subsidiaries.

■ Mark Lynam has been appointed a director of THORNTON INVESTMENT MANAGEMENT; he moves from Gartmore.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Mkt Cap £m	Yld Gr's
Abbott Labs		39⅛xd	-⅞	36	20⅞	15,388	1.8
Allegheny & W		317p	—	385p	219p	164.7	5.3
Amdahl		1098p	+29	1158p	667p	1,216	0.5
Amer Cyanamid		37xd	+⅝	42⅛	25⅜	3,460	2.3
Amer Express		12⅜xd	+	17⅞	9	5,821	4.6
Amer T & T		21⅞xd	+	24½	15¼	28,572	3.4
Ameritech		34⅛	+¼	39⅞	32½	16,090	5.8
BankAmerica		25xd	-	36	12	5,639	2.8
Bankers NY		34xd	-⅜	38	20	2,871	7.8
Bell Atlantic		24⅞xd	+⅛	30½	24¼	9,762	5.7
BellSouth		28⅝	+⅜	31¼	25	12,914	5.8
Bethlehem Steel		8xd	+	11¼	6	881.2	—
Bowater		1079p	+15	1030p	1042p	567.2	4.3
CPC		49⅝xd	-	54	37	3,751	2.5
California Engy		763p	—	930p	420p	177.7	—
Campbell Soup	h	21	+½	25	14⅛	5,288	1.8
Chase Manhattan		13¼xd	-	14	5	1,801	6.1
Chrysler		10xd	+	10⅛	5⅜	2,929	3.4
Citicorp		9xd	-	16⅞	4⅝	3,370	—
Colgate-Palm		27⅛xd	-⅛	27⅝	21	3,944	2.2
Cont'l Bank		957p	+5	978p	438p	967.1	3.5
Dana		21xd	-⅛	21⅝	13⅝	863.2	4.3
Data General		694p	-12	1282p	303p	191.5	—
Dial		28⅛xd	+¼	29⅛	12⅞	1,158	2.7
Dun & Brad		32⅝	+⅜	32⅝	20¼	6,622	3.7
Eaton		41⅜	-⅛	41⅞	24¼	1,488	3.0
Echlin		9xd	+	9	5½	534.8	4.7
FPL		19¼xd	—	20⅛	14	3,283	7.0
Fluor		24⅞xd	+	30	17	2,817	0.8
Ford Motor		21½xd	-	23¼	13	10,178	2.6
Gen Elect		45⅛xd	-	48	28	39,185	2.6
General Host		490p	—	500p	270p	—	4.1
Gillette		28xd	+½	45¾	20⅞	6,227	1.2
Hasbro		21½	—	24	7	1,232	0.5
Honeywell		42xd	+⅛	42	21¼	2,942	2.2
Houston Inds		23⅜	+⅛	24⅜	17⅞	3,061	7.0
IBM		50⅞xd	+⅛	72	46	29,107	5.4
Ingersoll-Rand		36⅞xd	+½	37½	18	1,971	2.0
Lockheed		28¼	+⅜	28⅛	16⅜	1,061	4.3
Lowe's		2300p	+37	2470p	1245p	840.4	1.4
Merrill Lynch		33xd	-	39	10	3,445	1.7
Morgan (JP)		34xd	—	38¼	21	6,598	3.5
Morris (Philip)		43¾xd	-	44⅝	26	40,504	2.7
NYNEX		42¼	+	46⅜	39	8,589	6.1
Pac Agric		28p	—	40p	15p	—	—
Pall		16⅞	-⅛	17	10	1,498	1.2
Pennzoil		26xd	+¼	48⅛	25¾	1,073	6.4
Quaker Oats		38⅞	+⅛	40	24⅞	2,820	2.8
Rockwell		15¼xd	-	17⅜	12¼	3,480	3.4
Rep NY		24⅛	+	27	18⅛	1,259	2.3
Sears, Roebuck		28½xd	+	28½	12	9,118	4.2
Sthwestern Bell		34⅝	-⅛	35⅞	25⅜	10,381	4.6
Sou Co		18xd	+	20¼	14⅛	1,703	6.4
Tenneco		23xd	+	27⅛	14⅞	2,816	3.9
Texaco		33xd	+	40½	28	8,875	5.4
Time Warner		61¼xd	+	64½	37⅞	5,701	0.9
Unilab		587p	—	587p	250p	545.3	—
Utd Tech		30⅝xd	-⅛	31½	22⅜	3,728	3.3
UtilTech		101p	—	101p	42p	—	—
US West		19¾	—	23	18¼	8,966	5.9
Varity		789p	+78	1410p	578p	199.9	—
Waste Manage		25¼xd	-	26	16⅝	11,937	1.0
Whirlpool		2550pxd	-24	2780p	1053p	1,772	2.4
Woolworth		17¼	+½	20	12¾	2,250	3.5

CANADIANS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Mkt Cap £m	Yld Gr's
Abbot Energy		2p	—	11p	1¼p	—	—
Amer Barrick		1681p	—	1642p	963p	2,188	0.3
Bk Montreal		22¼	+⅛	23¼	13	2,873	5.1
Bk Nova Scot		1084p	+36	1176p	836p	2,179	4.3
BC Gas		824p	—	870p	636p	—	3.9
BCE		23⅜	+¼	24½	17¼	7,236	6.6
Brascan		950p	+17	1050p	847p	783.5	5.9
Breakwater		23¼p	—	36p	8p	14.8	23.2
Can Imp Bk		1624p	+10	1610p	1180p	2,984	4.4
Can Pacific		862p	+4	1100p	756p	2,809	0.2
4pc Deb		37	—	37	30	17.3	10.8
Derlan		297p	—	463p	248p	—	6.1
Echo Bay		466p	—	828p	358p	425.8	1.2
ECO		23p	—	191p	11⅞p	—	—
Granges		81¼p	—	88p	49⅞p	11.2	—
Gulf Can		300pxd	+9	395p	258p	408.1	6.2
Hawker Sid		12¼	+¼	14½	10	109.3	4.8
Hudson's Bay		1502p	+23	2013p	878p	486.6	2.8
Imperial Oil		28½xd	+½	29¼	18	3,978	4.7
Inco		18¼xd	—	23⅛	12½	1,922	3.0
Int Corona		389p	—	552p	318p	376.8	1.6
Mascocho		3⅞p	—	4⅞p	2p	—	—
N A Tire Recycling		47p	+1	53p	34½p	1.66	—
Nova Corp Alberta		421pxd	-4	464p	308p	1,282	3.1
Rio Algom		884p	—	1091p	701p	373.5	6.1
Royal Bk Can		1274p	+26	1480p	1002p	3,894	4.9
TVX Gold		174p	—	250p	152p	88.2	—
Tam Pure		2½p	—	15p	1p	—	—
Toronto-Dom		827p	+21	1048p	736p	2,480	5.2
Trans Can Pipe		821p	+9	878p	719p	1,288	4.7

BANKS

	Notes	Price	+ or -	1991/92 high	1991/92 low	Mkt Cap £m	Yld Gr's	P/E
ABN Amro Fl		£14⅝	—	£14⅝	£9	3,873	5.9	♦
ANZ A$	g	178	+2	198½	119½	2,169	4.9	13.6
Abbey National		288	-3	311	211	3,746	6.0	8.6
Allied Irish I£	†	171	—	188	120	1,116	6.4	12.5
Anglo Irish £1	g	46	+2	66½	42	64.2	6.9	6.6
Banco Bilbao Pta		£18⅝	—	£18⅝	£12½	3,680	5.2	7.1
Banco de San Pta		£30¼	—	£30	£21	3,346	4.4	♦
Bk Ireland I£	†a	102	-2	173	115	811.9	7.0	24.9
Bank Leumi Shk		£196	—	£196½	£16	138.9	—	—
Bank Leumi (UK)		348	—	388	340	28.4	6.5	—
Bank Scotland	†h	112	-3	126	91	1,295	8.1	24.4

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

MEDIA

MERCHANT BANKS

OIL & GAS

STORES

PACKAGING, PAPER & PRINTING

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International

● "Tap Stock"

* Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

‡‡ Tax-free to non-residents on application

◆ Figures or report awaited

♥ Not officially UK listed; dealings permitted under rule 535(4)(a)

✥ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

‡‡ Not officially UK listed; dealings permitted under Rule 535(2)

Price at time of suspension

¶ Indicated dividend yield after pending scrip and/or rights issue.

♦ Merger bid or reorganisation in progress

§ Forecast dividend yield, p/e based on earnings updated by latest interim statement.

† Indicated dividend yield, p/e ratio based on latest annual earnings.

‖ Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

official estimates for 1992-93

A Annualised yield, p/e based on latest annual earnings.

M Yield based on prospectus or other

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Managers Limited (1000)F
51 Belmont Rd Uxbridge Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB American	5	120.3	121.7	128.1	-0.30	0.80
AIB Equity 3	5	170.5	172.2	182.2	-0.70	1.82
AIB European	5	138.0	140.0	147.3	-0.20	0.53
AIB Gilt	3	70.17	70.18	72.35	-0.08	7.09
AIB Japan	5	119.8	120.3	126.8	[illegible]	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	117.0	117.0xd	124.0	-1.1	[illegible]
High Inc Equity	6	125.2	126.1	134.0	[illegible]	[illegible]
Worldwide Bond	6	220.8	220.8xd	234.1	-1.7	[illegible]
Capital Growth						
American Growth	6	217.9	217.9	231.0	+0.8	[illegible]
Asian Pacific	6	139.8	142.7	151.4	+0.9	[illegible]
Assets & Earnings	6	184.1	184.1	195.3	-0.4	[illegible]
Capital Reserve Acc	0	113.2	113.2	113.2		7.93
Capital Reserve Inc	0	83.74	83.74xd	83.78		7.93
Commodity & Energy	6	68.10	68.10xd	72.43	+0.30	1.61
1992 Enterprise	6	67.49	67.49	72.18	+0.15	2.95
Euro Capital Acc	6	91.60	91.60	97.96	-0.02	1.08
Euro Capital Inc	6	87.52	87.52	93.60	-0.02	1.07
General	6	168.5	168.5xd	180.2	-0.3	3.52
Japan	6	93.99	93.99	99.82	-0.34	–
Marketrust	6	90.10	90.10	96.36	-0.06	2.47
UK Growth Acc	6	170.6	170.4	189.7	+0.2	2.48
UK Growth Dist	6	108.4	113.4	120.6	+0.2	2.44
US Emerging Cos	6	87.09	88.93	94.60	+0.30	–
Income & Growth	6	293.6	293.6	314.0	-0.7	4.46
Ethical	6	54.05	55.33	58.86	-0.03	2.89
International	6	62.83	63.70	67.76	+0.09	1.21
Dividend & Growth	6	46.53	47.68	50.72	-0.01	5.91
Global Gilts & Sec	6	53.24	53.53	56.94	-0.09	2.74

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro

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FT MANAGED FUNDS SERVICE

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or –	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensinvestor* & Unit-Linked Plus*				
Mixed Fund	447.5	471.1	+1.2	–
Ordinary Share Fund	671.7	707.1	+1.9	–
International Fund	176.1	185.4	+1.0	–
Property Fund	258.6	272.2	+0.2	–
Fixed Interest Fund	397.0	417.9	–1.8	–
Index-Linked Sec Fund	193.6	203.8	+0.2	–
Deposit Fund	276.9	291.5	+0.3	–
Norwich Units Feb 14	1053.70		...	–
*Prices as at March 3				
Jersey Investment Plan				
With Profits Fund	122.25	128.69	+0.04	–
Intl Equity Fund	95.57	100.60		–
Intl Bond Fund	122.07	128.50	+0.96	–
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich, NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd	319.29	324.65	–0.23	–
Growth Managed Fd	106.30	109.19	–0.01	–
Sentinel Managed Fd	104.94	106.38	–0.09	–
Prices as at March 4				
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	133.7	140.7	..	–
Prop. Acc. (Gross)	254.7	268.1	...	–
Equity (Gross)	865.0	910.5	–1.0	–
Managed (Gross)	605.2	637.0	–1.3	–
Prop. Acc. (Net)	121.5	127.9	..	–
Equity (Net)	200.5	211.1	–0.2	–
Managed (Net)	186.4	196.2	–0.4	–
Internat'nal (net)	170.9	179.9	–0.1	–
Gilt & Fixed Interest	133.2	140.3	–1.1	–
Money Fund	136.9	144.1		–
Mixed Fund (Cap)	117.5	123.7	..	–
Mixed Fund (Acc)	120.8	127.2	..	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	659.7	694.5	–2.7	–
Ret Man (Series 2)	223.8	235.6	–0.9	–
Ret Cash	191.2	201.2		–
Pens Mixed Fd (Cap)	131.2	138.2	..	–

Provident Mutual Life Assc. Assn.–Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Premium Life Assurance Co Ltd

Prudential Individual Life Funds

Prudential Individual Pension Funds

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Reliance Mutual

J Rothschild Assurance PLC

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Royal Heritage Life Assurance Ltd

Provident Life Assoc Ltd

Royal Life Insurance Ltd

Provident Mutual Life Assc. Assn.

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

Providence Capital International Ltd – Contd.

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

J. B. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA

CANADA

GUERNSEY

Rothschild Asset Management–Contd.

Royal Bank of Canada Funds

IRELAND

ISLE OF MAN

[illegible]

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FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625590				
High Income 5	0.4869	0.4869	0.5148	10.23
CMI Core Portfolio Fund				
UK 5	£-1.0149	1.0874		
USA 5	£-1.0960	1.1607		
Japan 5	£-0.5703	0.6021		
Equity & Law Int'l Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd 5	94.77	94.77d	99.73	+0.03 10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth 5½	503.3	503.3	537.7	+1.8 0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St, Douglas IoM 0624 661020				
L.J International 5¼	95.11	95.11	102.34	+0.03
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund 5	105.2	105.2	112.3	-0.4 7.4
Merc Intl Bond 5	54.29	54.29	57.05	+0.21 8.4
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Secure High Income 6	1.0284	1.0284	1.1045	10.15
Unibank Scandinavian Fund Ltd				
23 Becks Road, Douglas, IoM 06246 26484				
Scandinavia Fd 5		139.40	148.43	1.0

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Heavy selling halts dollar rise

TEMPTATION proved too much for some investors who decided to take profits once the dollar hit DM1.68 after another day of climbing, *writes Neil Buckley*.

The morning had seen the US currency take a rest after its surge in the previous three days, but in the afternoon it powered through resistance at DM1.6740 and DM1.6780 until its arrival at DM1.6800 triggered heavy selling by investors anxious to guarantee profits before today's US payroll figures. These will be the focus of attention, with dealers looking for further evidence of US economic recovery, although nervousness persists that the figures may disappoint.

The dollar retreated at the close to DM1.6725/30, little changed on the day. Against the yen, it slid back from a Y132.43 high to Y132.10/20, but was still above its 132.05/15 start. In New York last night it fell back slightly to DM1.6707 and Y131.80/90 at midsession.

"There were no economic fundamentals yesterday so the market had nothing to focus on, but there was still a lot of short-term speculative buying," said an economist with a UK bank. "We're seeing whippy trading in the course of a longer-term bull run."

In Tokyo, the dollar had continued upwards, supported by active technical demand after it broke through key resistance at DM1.67 and Y132. It closed at DM1.6725 and Y132.00.

Japanese investors were said to be buying large amounts of dollars which they sold last month, and while some fears about Bank of Japan intervention remained, dealers believed this would be ineffective.

The D-mark's four-month low against the dollar did not stop it from continuing its long climb against the Swiss franc, reaching SFr0.9112/24, up from SFr0.9097/0.9109 on Wednesday. The Swiss currency was the centre of attention in Europe as rumours abounded that the Swiss National Bank was holding an emergency meeting. No intervention took place, however.

The SNB also refused to comment on speculation that it was about to create a new Lombard rate two percentage points higher than the present rate, a rumour which helped lift the Swiss franc from its lows.

The German currency fell slightly against the French franc and lira, but was steady within the EMS at around 31 per cent above its central rate.

This was partly due to a strong performance against sterling, which fell on nervousness induced by an opinion poll that was favourable to the opposition Labour party.

Sterling closed at DM2.8700/03, down more than a pfennig from the night before. It remained pinned to the foot of the EMS table, slipping to 44 per cent below its central Ecu rate from 39 per cent on Wednesday, and sparking fears that a UK base rate cut might now be too risky.

Against the dollar, sterling weakened to $1.7165 from $1.7285.

£ IN NEW YORK

Mar 5	Latest	Previous Close
£ Spot	1.7160-1.7170	1.7240-1.7250
1 month	0.92-0.90pm	0.92-0.91pm
3 months	2.58-2.55pm	2.63-2.60pm
12 months	8.35-8.25pm	8.40-8.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar 5	Previous
8.30 am	90.2	90.5
9.00 am	90.2	90.5
10.00 am	90.1	90.5
11.00 am	90.0	90.5
Noon	90.0	90.5
1.00 pm	90.0	90.5
2.00 pm	90.0	90.5
3.00 pm	90.0	90.5
4.00 pm	90.0	90.4

CURRENCY MOVEMENTS

Mar 5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.0	-21.1
U.S. Dollar	65.2	-13.1
Canadian Dollar	103.3	-1.4
Austrian Schilling	109.7	+12.1
Belgian Franc	111.4	-1.9
Danish Krone	108.7	+2.9
D-Mark	118.1	+24.7
Swiss Franc	105.4	+13.5
Dutch Guilder	114.2	+16.1
French Franc	103.0	-13.0
Lira	98.9	-19.7
Yen	140.8	+74.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Mar.4

CURRENCY RATES

Mar 5	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	–	0.789893	0.712662
U.S. Dollar	3.50	1.36797	1.21972
Canadian $	7.56	1.63021	1.45330
Austrian Sch	7.50	15.9902	14.3891
Belgian Franc	8.50	46.7128	42.0499
Danish Krone	9.50	8.80152	7.92575
D-Mark	8.00	2.27452	2.04486
Dutch Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Mar.4

OTHER CURRENCIES

Mar 5	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	1313.60 - 1334.75	763.70 - 772.90
Kuwait	0.51050 - 0.51250	0.29450 - 0.29550
Luxembourg	58.95 - 59.05	34.35 - 34.45
Malaysia	4.3955 - 4.4035	2.5650 - 2.5670
Mexico	5176.70 - 5190.30	3059.20 - 3060.20
N.Zealand	3.1385 - 3.1430	1.8280 - 1.8305
Saudi Ar.	6.4050 - 6.4100	3.7495 - 3.7505
Singapore	2.8355 - 2.8425	1.6530 - 1.6550
S.Af (Cm)	4.9405 - 4.9500	2.8780 - 2.8800
S.Af (Fn)	6.3950 - 6.5160	3.7245 - 3.7950
Taiwan	42.95 - 43.10	25.00 - 25.10
U.A.E.	6.2710 - 6.3480	3.6715 - 3.6735

*Floating rate. Iran Official rate: £116.25 $66.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.704	-3.69	6.18	64
Dutch Guilder	2.31643	2.30076	-0.68	2.96	31
D-Mark	2.05586	2.04486	-0.54	2.81	32
Belgian Franc	42.4032	42.0499	-0.83	3.12	38
Italian Lira	1538.24	1532.76	-0.36	2.63	16
Irish Punt	0.767417	0.765300	-0.28	2.55	11
French Franc	6.89509	6.94875	0.78	1.47	-45
Danish Krone	7.84195	7.92575	1.07	1.18	-51
Sterling	0.696904	0.712662	2.26	0.00	-44

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7070 - 1.7220	1.7160 - 1.7170	0.92-0.90cpm	6.36	2.58-2.55pm	5.98
Canada	2.0385 - 2.0450	2.0390 - 2.0400	0.60-0.54cpm	3.35	1.52-1.40pm	2.86
Netherlands	3.2225 - 3.2380	3.2225 - 3.2325	¼-⅛cpm	0.93	⅝-⅜pm	0.62
Belgium	58.95 - 59.20	58.95 - 59.05	6-3cpm	0.92	12-7pm	0.64
Denmark	11.1110 - 11.1450	11.1175 - 11.1275	⅝-⅛orepm	0.61	2⅛-1pm	0.49
Ireland	1.0745 - 1.0780	1.0760 - 1.0770	0.02pm-0.01pdis	0.06	0.03pm-0.04dis	-0.02
Germany	2.8675 - 2.8750	2.8675 - 2.8725	¼-⅛pfpm	0.78	½-⅜pm	0.61
Portugal	246.00 - 247.80	246.80 - 247.80	53-72cdis	-3.03	182-212dis	-3.19
Spain	180.40 - 181.00	180.40 - 180.70	24-31cdis	-1.83	78-98dis	-1.95
Italy	2148.20 - 2156.00	2150.25 - 2151.25	2-4lirecdis	-1.67	8-9dis	-1.58
Norway	11.2330 - 11.2675	11.2350 - 11.2450	⅝-⅛orepm	0.47	⅛-parpm	0.11
France	9.7410 - 9.7755	9.7450 - 9.7550	⅜-¼cpm	0.38	⅜-¼pm	0.18
Sweden	10.3850 - 10.4190	10.3850 - 10.3950	⅞-1¼oredis	-1.23	3⅛-3⅝dis	-1.37
Japan	225.75 - 227.35	225.75 - 226.75	1-⅞ypm	4.97	3⅛-2⅞pm	5.30
Austria	20.18 - 20.24	20.21 - 20.24	2⅛-1⅛gropm	0.96	4⅛-2½pm	0.69
Switzerland	2.6100 - 2.6230	2.6100 - 2.6200	⅝-½cpm	2.29	1⅝-1½pm	2.29
Ecu	1.4010 - 1.4055	1.4040 - 1.4050	0.06-0.05cpm	0.47	0.11-0.05pm	0.23

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.86-4.81cpm. 12 Month 8.45-8.35pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7070 - 1.7220	1.7160 - 1.7170	0.92-0.90cpm	6.36	2.58-2.55pm	5.98
Ireland†	1.5900 - 1.6010	1.5990 - 1.6000	0.86-0.85cpm	6.34	2.41-2.34pm	5.94
Canada	1.1870 - 1.1990	1.1900 - 1.1910	0.29-0.31cdis	-3.02	0.92-0.96dis	-3.16
Netherlands	1.8775 - 1.8905	1.8800 - 1.8810	0.84-0.87cdis	-5.46	2.52-2.56dis	-5.39
Belgium	34.30 - 34.55	34.35 - 34.45	15.00-16.00cdis	-5.41	44.00-46.00dis	-5.23
Denmark	6.4700 - 6.5070	6.4775 - 6.4825	2.90-3.20oredis	-5.65	8.70-9.15dis	-5.51
Germany	1.6685 - 1.6800	1.6710 - 1.6720	0.77-0.78pfdis	-5.56	2.25-2.27dis	-5.41
Portugal	143.60 - 143.95	143.60 - 143.70	108-113cdis	-9.23	323-335dis	-9.16
Spain	105.00 - 105.75	105.35 - 105.45	71-73cdis	-8.20	210-215dis	-8.06
Italy	1250.50 - 1258.85	1252.75 - 1253.25	8.10-8.60liredis	-8.00	23.40-24.40dis	-7.63
Norway	6.5400 - 6.5825	6.5450 - 6.5500	3.00-3.40oredis	-5.86	9.45-9.95dis	-5.93
France	5.6720 - 5.7085	5.6775 - 5.6825	2.79-2.84cdis	-5.95	8.25-8.35dis	-5.85
Sweden	6.0440 - 6.0905	6.0500 - 6.0550	3.65-3.90oredis	-7.22	11.00-11.45dis	-7.15
Japan	131.75 - 132.45	131.80 - 131.90	0.12-0.13ydis	-1.14	0.20-0.21dis	-0.62
Austria	11.7480 - 11.8200	11.7725 - 11.7775	5.10-5.55grodis	-5.43	15.10-16.30dis	-5.33
Switzerland	1.5210 - 1.5335	1.5230 - 1.5240	0.49-0.53cdis	-3.98	1.42-1.45dis	-3.77
Ecu	1.2175 - 1.2260	1.2245 - 1.2255	0.60-0.58cpm	5.78	1.79-1.73pm	5.75

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Mar 5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞ - 10¾	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10¾ - 10⅝	10⅞ - 10¾
US Dollar	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4¼ - 4⅛	4½ - 4⅜	4⅞ - 4¾
Can. Dollar	7¼ - 7	7¼ - 7	7⅛ - 6⅞	7⅛ - 6⅞	7¼ - 7	7⅝ - 7⅜
Dutch Guilder	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Swiss Franc	8¼ - 8⅛	8¼ - 8	8⅛ - 8	8¼ - 8	7⅞ - 7¾	7⅝ - 7½
D-Mark	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9½ - 9⅜
French Franc	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	10⅛ - 9⅞	9⅞ - 9¾	9⅞ - 9¾
Italian Lira	12 - 10	12¼ - 11¾	12¼ - 11¾	12 - 11½	12 - 11½	12 - 11½
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9½ - 9⅜
Yen	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5 - 4⅞	4⅞ - 4¾	4⅞ - 4¾
Danish Krone	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10⅛ - 9⅞
Asian $Sing	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅝ - 3½	4 - 3⅞

Long term Eurodollars: two years 5⅜-5¼ per cent; three years 6⅛-6 per cent; four years 7-6⅞ per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar.5	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.717	2.870	226.3	9.750	2.615	3.228	2151.	2.040	59.00	1.405
$	0.582	1	1.672	131.8	5.679	1.523	1.880	1253	1.188	34.36	0.818
DM	0.348	0.598	1	78.85	3.397	0.911	1.125	749.5	0.711	20.56	0.490
YEN	4.419	7.587	12.68	1000.	43.08	11.56	14.26	9505	9.015	260.7	6.209
F Fr.	1.026	1.761	2.944	232.1	10.	2.682	3.311	2206	2.092	60.51	1.441
S Fr.	0.382	0.657	1.098	86.54	3.728	1	1.234	822.6	0.780	22.56	0.537
N Fl.	0.310	0.532	0.889	70.11	3.020	0.810	1	666.4	0.632	18.28	0.435
Lira	0.465	0.798	1.334	105.2	4.533	1.216	1.501	1000.	0.948	27.43	0.653
C$	0.490	0.842	1.407	110.9	4.779	1.282	1.582	1054	1	28.92	0.689
B Fr.	1.695	2.910	4.864	383.6	16.53	4.432	5.471	3646	3.458	100.	2.381
Ecu	0.712	1.222	2.043	161.1	6.940	1.861	2.298	1531	1.452	41.99	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE) [illegible]

CHICAGO [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

PARIS [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	-	-	-	0.08	0.27	-
107	2.14	-	-	0.20	-	-
108	1.37	-	-	0.42	-	1.03
109	0.78	-	-	0.78	-	1.44
110	0.38	-	1.17	1.36	-	-
111	0.18	0.57	0.83	-	-	-
112	0.06	-	-	-	-	-
Open Int.	84,471	11,046	-	67,591	5,043	30

Estimated volume 24,348 Total Open Interest 169,080

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7165	1.7074	1.6908	1.6682	1.6325

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Crédit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Jitters fuel trading

AN ATTACK of political jitters injected life into the UK money market yesterday, and rates firmed across the spectrum.

A leaked NOP opinion poll showing the opposition Labour party with a five-point lead in 50 marginal seats kindled fears that the Conservative government could be toppled in the general election, expected on April 9. A fall in sterling against the D-mark increased the nervousness, arousing fears that Mr Norman Lamont, the chancellor, may no longer have room to cut interest rates without bringing sterling under pressure.

A survey of traders on Wednesday had found eight out of ten still expecting a near-term cut, with 44 per cent of those believing it would come between Budget day on March 10 and a likely election announcement on March 16.

Yesterday, however, that optimism seemed to be crumbling, as operators took back their money in all periods.

The key three-month interbank rate, often a pointer towards future base rates, moved up to 10½-10⅜ per cent, having climbed gradually from around 10¼ per cent two weeks ago. The six-month rate moved out to 10⅝-10½ from 10⁹⁄₁₆-10⁷⁄₁₆, and the 12-month rate climbed ¹⁄₁₆ to 10¹¹⁄₁₆-10⁹⁄₁₆.

The March short sterling contract dropped four basis points to 89.59, and June fell to 89.79 from 89.88.

Overnight rates started around 10⅝-10½ but firmed after the Bank of England forecast the daily shortage at £500m, but purchased only £10m of band 1 bank bills at 10⅜ per cent at midday, having not operated in the early round. The forecast was later revised to £550m, and the Bank purchased £47m of band 1 treasury bills and £138m of band 1 bank bills at 10⅜ per cent. Late assistance of £180m took the total for the day to only £375m.

The overnight rate climbed as a result to 11½-11 per cent.

German call money rates eased slightly, but the Bundesbank seemed determined to keep them above 9.60 per cent. Most trade was at 9.60 per cent rather than Wednesday's 9.65.

Dealers said the Bundesbank was at a delicate stage in pay negotiations, and hit by inflation fears, but could not raise interest rates because of foreign pressure. It was therefore keeping market rates tight through its open market operations.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.5) 3 months US dollars		6 months US Dollars	
bid 4⅛	offer 4¼	bid 4⅜	offer 4½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6½	One month	4.06	Three year	6.08
Broker loan rate	6	Two month	4.05	Five year	6.83
Fed funds	4	Three month	4.13	Seven year	7.14
Fed funds at intervention	4	Six month	4.28	10-year	7.48
		One year	4.54	30-year	7.94
		Two year	5.56		

Mar 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.56-9.65	9.50-9.65	9.50-9.65	9.50-9.65	9.50-9.65	9.75
Paris	10-10⅛	9⅞-10	9⅞-10	9⅞-10	9⅞-9⅞	9.60
Zurich	6⅞-7⅛	7⅞-8	-	7⅞-8	-	-
Amsterdam	9.43-9.50	9.48-9.56	-	9.46-9.54	-	-
Tokyo	5⅞-5⅞	5⅞-5⅝	-	-	-	-
Milan	12-12⅛	12⅛-12⅛	-	12⅛-12⅛	-	-
Brussels	9.56-9.68	9⅜-9⅞	-	9⅜-9⅞	-	-
Dublin	10⅝-10½	10⅝-10½	10⅝-10⅝	10⅝-10½	10⅝-10⅝	-

LONDON MONEY RATES

Mar 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	10⅝	10⅜	10½	10⅝	10¾
Interbank Bid	10¼	10½	10¼	10⅜	10½	10⅝
Sterling CDs	-	-	10⅜	10½	10⅝	10¾
Local Authority Deps.	10½	10⅜	10⅜	10⅜	10½	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps	10⅝	10⅜	-	-	-	-
Company Deposits	-	-	10⅜	10½	10⅝	10¾
Finance House Deposits	-	-	10½	10⅝	10¾	10⅞
Treasury Bills (Buy)	-	-	10⅛	9⅞	9⅝	-
Bank Bills (Buy)	-	-	10⅛	10⅛	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.30	4.30	4.42	4.90
SDR Linked Dep. Offer	-	-	6⅜	6⅜	6⅝	6⅝
SDR Linked Dep. Bid	-	-	6⅛	6¼	6⅜	6½
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9⅞	10	10	9⅞

Treasury Bills (sell): one-month 10 per cent; three months 9⅞ per cent; six months 9¾ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 10 per cent; Treasury Bills: Average tender rate of discount 9.7383 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1992. Agreed rates for period Mar 25, 1992 to April 25, 1992, Scheme I: 11.67 p.c., Schemes II & III: 11.64 p.c. Reference rate for period Feb 1, 1992 to February 28, 1992, Scheme IV&V: 10.433 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from March 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,791 Set by VIXEN

[illegible]

ACROSS

1 He's above all mundane things (8)
5 Exaggerate business menace (6)
9 Submitted when the umpire made a wrong decision (8)
10 Leave behind the waste (6)
12 In a panic head off a recess (5)
13 One values a quiet person giving approval (9)
14 End with a bit of fish and a drink (6)
16 First trainee taken into the plant (7)
19 Hector may cut sound ship's maximum cargo (7)
21 The cocky little fellow Batman sorted out (6)
23 People going by private transport are in the pink (9)
25 A teacher losing his head and making a bloomer (5)
26 A six-footer, though not out of school (6)
27 Put together the jumble brought back in expert fashion (8)
28 A plot which involves danger (6)
29 They decorate inside seams (8)

DOWN

1 Season well (6)
2 A liking for disorder (9)
3 English lake that's not natural (5)
4 Being made to state how old one is appears mean (7)
6 Working rate in exposed situation (9)
7 Some women seldom notice warning signs (5)
8 Returned, finding it wrong hiding in the tall grass (8)
11 See post is dealt with (4)
15 "Beware the pine-tree's withered branch! Beware the awful ...." (Longfellow) (9)
17 Yielding and giving up vehicle and furniture (9)
18 Such hosiery cost possibly a sovereign (8)
20 This country's made royalty popular (4)
21 The mountain boy accepts one in blessing (7)
22 Honours given to subordinate people (6)
24 A rebel in flight (5)
25 The scene of conflict near a new development (5)

Solution to Puzzle No.7,790

F	A	G	G	O	T		S	H	O	R	T	C	U	T
E		O		V		U		A		E		O		R
D	R	I	V	E	I	N		R	A	P	T	U	R	E
E		N		R		C		D		A		N		N
R	A	G	E		E	L	A	B	O	R	A	T	E	D
A		O		P		E		A		A				Y
T	A	V	E	R	N		A	C	U	T	E	L	Y	
E		E		O		F		K		I		O		H
	O	R	A	T	I	O	N		L	O	U	V	R	E
E				E		U		W		N		E		A
M	A	I	N	S	T	R	E	A	M		U	S	E	D
B		S		T		T		R		T		T		G
R	O	S	E	A	T	E		P	R	O	P	O	S	E
Y		U		N		E		S		O		R		A
O	V	E	R	T	O	N	E		P	L	A	Y	E	R

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Mar 4	Mar 3	Mar 2	Feb 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3268.56	3290.25	3275.27	3267.67	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	99.19	99.34	99.31	99.50	99.81 (6/2)	98.56 (24/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1455.72	1457.40	1443.01	1428.25	1467.68 (26/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.62	204.43	204.99	205.62	225.59 (3/1)	203.62 (4/3)	236.23 (2/1/92)	10.50 (8/4/32)

◆Day's High 3318.42 (3313.22) Low 3256.04 (3258.50)

STANDARD AND POOR'S

	Mar 4	Mar 3	Mar 2	Feb 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	409.33	412.85	412.45	412.70	420.77 (15/1)	407.38 (18/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	487.39	491.59	490.69	491.08	499.27 (15/1)	483.91 (12/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.54	34.83	34.86	34.75	35.14 (15/1)	33.53 (31/2)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.66	228.43	228.20	228.21	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (28/4/42)
Amex Mkt. Value	413.39	415.49	416.79	416.09	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	630.29	634.25	635.47	633.47	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 28	Feb 21	Feb 14	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.78	2.82	3.45

	Feb 26	Feb 19	Feb 12	year ago (approx.)
S & P Industrial div. yield	2.57	2.60	2.54	2.19
S & P Indl. P/E ratio	29.03	25.03	25.61	17.77

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Telefonos	4,150,700	56½	-2
Glaxo	3,880,900	27¼	-¼
Am T & T	2,778,600	37⅛	+⅛
BankAmerica	2,291,000	44⅝	-⅛
Sears Roebuck	1,992,700	45⅜	+1¼
CMS Energy	1,949,500	22⅛	+⅜
Am Express	1,903,200	21¼	+¼
Philip Morris	1,823,300	75⅛	-¼
Nat. Semi	1,804,300	11⅝	+¼
IBM	1,803,500	87⅛	-⅜

TRADING ACTIVITY

† Volume (Millions)	Mar 4	Mar 3	Mar 2
New York SE	206.770	200.660	180.390
Amex	16.194	16.189	16.503
NASDAQ	212.963	204.549	176.944*
NYSE			
Issues Traded	2,218	2,224	2,220
Rises	617	920	907
Falls	1,045	767	806
Unchanged	556	537	507
New Highs	86	101	79
New Lows	20	19	16

CANADA

TORONTO	Mar 4	Mar 3	Mar 2	Feb 28	1992 HIGH	1992 LOW
Metals & Minerals	3109.33	3115.70	3096.57	3096.02	3239.87 (16/1)	2935.22 (2/1)
Composite	3587.64	3576.79	3579.47	3581.94	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1885.25	1877.49	1878.27	1880.01	1937.59 (16/1)	1851.90 (20/2)

Base values of all indices are 100 except NYSE All Common - 50, Standard and Poor's - 10, and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. * Correction

Euro Top-100 (26/6/90)	937.56	942.27	943.20	[illegible]	[illegible]

**Saturday February 29: Taiwan Weighted Price 5142.41; Korea Comp Ex 612.50. § Subject to official recalculation. Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen, MIB Gen, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday March 5 1992

	Stocks Traded	Closing Prices	Change on day
M'bishi Kasei	9.8m	360	+60
Japan Str Batt	9.5m	1,190	-20
Meiji Milk Prod	8.5m	1,220	+92
Dainippon Pharm	6.9m	1,970	-40
Mochida Pharm	6.7m	4,180	-20
Meiji Seika	[illegible]	680	+45
Morinaga Milk	4.8m	721	+22
Nippon Zeon	4.4m	621	+1
Daicel Chem	3.8m	640	+14
Hitachi	3.6m	802	[illegible]

Price data supplied by Telekurs.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices March 5

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15 7/8	12 1/4	AAR Corp	0.48	3.1	17	77	15 5/8	15 3/8	15 1/2	-1/8
26	20 3/4	A L Labs A	0.16	0.7	29	122	23 3/8	23	23 1/4	-1/8
68 1/4	58 1/8	AMP Inc	1.52	2.5	25	1965	62 3/8	61 1/4	61 1/2	-1 3/8
80 1/4	68 3/8	AMR			27	5014	79 1/4	77 7/8	78 1/8	-1 1/2
2 3/8	1 3/8	ARX			2	35	2	2	2	
53 1/2	46 1/4	ASA	2.75	5.9	13	309	47	46 1/2	46 7/8	+1/4
68 3/8	60 1/8	Abbott Lab	0.60	1.0	24	2867	62 1/4	61 1/8	61 1/4	-1/4
13 1/2	12 1/8	Abitibi Pr	0.43	3.3	27	23	12 7/8	12 7/8	12 7/8	
11 5/8	10 1/2	ACM Gvt In	0.96	9.0		307	10 5/8	d10 1/2	10 5/8	
10 3/8	9 1/8	ACM GvOpp	0.80	8.4		86	9 1/2	9 3/8	9 1/2	
9 1/2	8 5/8	ACM Gvt Sc x	0.80	9.1		263	8 7/8	d8 5/8	8 3/4	
11 1/4	10 1/4	ACM Gvt Sc x	0.96	9.1		144	10 1/2	10 3/8	10 1/2	
9 3/8	8 5/8	ACM Man	0.95	10.3		194	9 1/4	9 1/8	9 1/4	+1/8
12 7/8	10 7/8	ACM Managd	1.08	9.5		130	11 3/8	11 1/4	11 3/8	
10 1/8	7	Acme Cleve	0.40	4.0	18	80	9 7/8	9 3/4	9 7/8	
5 1/4	4 1/2	Acme Elect			3	20	u5 3/8	5 1/8	5 1/4	+1/4
33 1/4	20 7/8	Acuson			13	878	21 1/4	d20 7/8	20 7/8	-1/8
19 3/8	18 1/2	Adams Expr	0.46	2.5	0	69	19 1/4	19 1/8	19 1/8	-1/8
15 1/2	13	Adobe12Pf	2.40	16.4		31	14 3/4	14 5/8	14 5/8	
5 3/8	4 1/2	Adobe Res			2	173	5 1/8	5	5	
48 1/8	42 1/4	Ad Micro	3.00	7.4		459	41 7/8	d40 1/2	40 1/4	-1 7/8
21 1/2	17 1/4	Ad Micro P	3.00	18.0	10	1498	17 1/4	d16 1/2	16 7/8	-1/8
9 1/8	5	Advest Grp	0.16	1.9	35	100	8 5/8	8 1/2	8 1/2	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Prev. Close
[illegible]										

- X - Y - Z -

High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
52½	50½	Xerox4.125 x				2	52½	52½	52½	
27½	26⅞	Xtra 1.94	1.94	7.3		13	26⅝	26½	26½	-⅛
34¼	28½	Xtra Corp	0.80	2.4	14	12	33¼	33¼	33¼	-⅛
27	25¼	Yankee Egy	1.60	6.0	13	33	26⅞	26⅝	26¾	+⅛
1⅛	⅞	Zapata				341128	u1⅛	1⅛	1⅛	-⅛
11¾	7¼	ZenithElec				5	6987	9⅝	9½	9⅝	-⅛
17⅛	14½	Zenith Nat	1.00	6.9	7	93	17	16¾	16⅞	
6⅝	6	Zenix Inc	0.84	12.7		22	u6⅝	6⅝	6⅝	
13¼	11⅛	Zero Corp	0.40	3.1	19	96	13	12⅞	12⅞	-⅛
36	34¼	Zurn Ind	0.88	2.5	15	118	36	35⅛	35½	-⅛
14⅛	12¾	Zweig Fund	1.16	8.8		111	13⅛	13	13⅛	
11	9⅞	Zweig Total	0.86	8.2		487	10⅛	10¼	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices March 5

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3:00 pm prices March 5

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		28	5412	29½	27¼	27½	-2¼
Xoma Corp		12	1661	23¾	22½	22¾	-⅞
Yellow Fr	0.94	32	973	31½	31¼	31¼	-⅛
York Rsch		46	3020	5⅞	d5¼	5⅝	-¼
ZionsUtah	1.44	9	660	49	47¼	47¼	-⅛

AMERICA

Equities trade cautiously ahead of employment data

Wall Street

US SHARE prices fell across the board yesterday morning as investors traded cautiously ahead of today's February employment report, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 10.73 at 3,257.83, having spent the morning in negative territory. The more broadly based Standard & Poor's 500 was also lower at midsession, down 1.23 at 408.10, while the Nasdaq composite of over-the-counter stocks dropped 5.67 to 624.62. Turnover on the NYSE was light at 115m shares, and declines outpaced rises by a ratio of almost two to one.

The day's only economic news – a 21,000 fall in weekly jobless claims – provided little comfort, primarily because attention remained fixed on the employment figures for February, which will be released early this morning. These could decide whether the Federal Reserve will cut interest rates once more to get the economy moving.

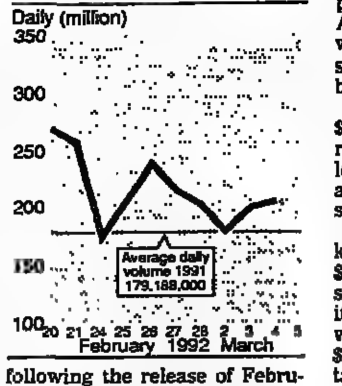
Among individual stocks, retailers were in the spotlight following the release of February sales figures that showed increases across the board, although the data were distorted by the extra leap-year day. Wal-Mart jumped $1⅞ to $53¾ after reporting a 20 per cent gain in sales, JC Penney rose $1½ to $63½ (sales up 10.5 per cent) and Woolworth fell $⅞ to $29 (sales rose 3.1 per cent).

After a delayed opening due to an imbalance of sell orders, Gap fell $2⅝ to $45¾ in turnover of 2m shares after the clothing retailer reported fourth quarter profits of 59 cents-a-share, and full-year profits of $1.62-a-share. Although the results were no worse than expected, the latest sales figures for February were below some analysts' forecasts.

Baltimore Bancorp plunged $1⅛ to $6¼ after the company restated its 1991 fourth quarter loss to $7.42-a-share because of an increase in loan loss provisions.

On the over-the-counter market Stuart Hall climbed $3 to $12¾ after the stationery and school supplies company said it was in tentative negotiations with Newell (down $1⅛ at $45⅝) regarding a possible takeover by the consumer and industrial products group.

NYSE volume



Canada

TORONTO stocks partly recovered from morning lows in cautious midday trading. Rumours in the New York, London and Toronto that the real estate giant Olympia & York was in financial difficulty weighed on real estate and bank shares.

The TSE 300 eased 12.4 to 3,575.2, above a low of 3,569.28. Declines led advances by 297 to 165, in volume of 16.2m shares.

Politics sway Venezuela and Mexico

THE CARACAS stock market recovered partially yesterday from Wednesday's 6 per cent drop as President Carlos Andres Perez promised political reform and suspended price increases on gasoline, electricity, food and medicine, writes Joseph Mann.

Before the Carnival holiday, equities had been recovering, in local currency terms, from a failed coup in February. However, the decline in the bolivar against the dollar accelerated after the failed military rebellion. The currency dropped 4 per cent on Wednesday but showed some strength yesterday.

Meanwhile, the Mexican stock market is showing the first sign of jitters this year, writes Damian Fraser. The market opened 0.4 per cent lower yesterday after a 3.5 per cent fall on Wednesday on news that the government planned to sell a further 5 per cent in Telmex, the country's telephone monopoly. News of the offering, which could fetch about $1.5bn, is scheduled for May or June.

Mexican equities fell in spite of a drop in interest rates to a record low of 12.5 per cent, compared with inflation of 17.9 per cent. Interest rates have fallen thanks to growing credibility in Mexico's exchange rate policy. Since November the peso has fallen at an annualised rate of only 2.4 per cent against the dollar.

EUROPE

Paris hit by profit taking and drops in some second-liners

MOST BOURSES eased back yesterday, as a dull start on Wall Street gave little incentive to extend recent gains, *writes Our Markets Staff.*

PARIS saw profit-taking in recent favourites such as Alactel Alsthom and the CAC 40 index fell 15.05 to 1,973.04 in turnover of FFr2.24bn.

The television company, Canal Plus, fell FFr47 or 4.1 per cent to FFr1,105 in 48,749 shares on government support for the introduction of high-definition television, which would not be compatible with Canal Plus's decoders.

The food retailer Carrefour lost FFr77 or 2.9 per cent to FFr2,603 following news late on Wednesday that its 1991 profit fell 11 per cent.

FRANKFURT enjoyed selective blue-chip buying which left Daimler and Volkswagen higher in carmakers, the former leading active stocks in turnover of DM1.4bn within a day's total of DM7.9bn, up from DM7.8bn on Thursday.

The FAZ index fell 0.61 to 714.36 in midsession, but the DAX closed with a gain of 5.25 at 1,674.80. Volkswagen rose another DM7.40 to DM376, rising this time on additional shifts at its Audi subsidiary to deal with strong demand, especially for its new 80 model.

Meanwhile the tyremaker, Continental, which was the subject of a long courtship by its Italian counterpart, Pirelli, rose DM7.20 to DM247 following a press report than an Italian businessman, Mr Salvatore Ligresti, had bought a 5 per cent Conti stake.

MILAN remained weak, and dealers expect prices to be further depressed today following news late yesterday that a modified car insurance reform had failed to go through parliament. The Comit index fell 5.26 to 520.44 in turnover estimated at L75bn after L69.1bn.

Domestic selling pushed Fiat savings shares down by L140 or 3.8 per cent to L3,590 on fears of a dividend cut. Fiat's ordinary shares fell L62 or 1.3 per cent to L4,870. The cement sector was also under pressure, with Cementir losing 6.5 per cent or L155 to L2,220.

ZURICH fell on the interest rate worries which depressed its banks and insurers on Wednesday. In a moderately active session, the SPI index shed 5.7 to 1,146.9.

In banks, UBS bearers fell SFr60 to SFr3,790 and CS Holding lost SFr30 to SFr2,030. Crédit Suisse, the latter's major asset, releases its 1991 results this morning.

AMSTERDAM remained unmoved by a batch of better-than-expected company results and the CBS Tendency Index closed unchanged at 128.1 in turnover of Fl 615.3m.

Heineken fell Fl 3.30 or 1.94 per cent, to Fl 166.60 as investors took profits ahead of the 1991 results which came out after the market had closed.

BRUSSELS closed lower in moderate trade: the Bel-20 finished down 10.68 at 1,22.57 in turnover of BFr700m. Groupe AG, the insurer, and Générale Bank, fell as officials of both companies said that a possible merger remained some way off. The insurer declined BFr95 or 4.2 per cent to BFr2,160 while the bank shed BFr170 or 2.5 per cent to BFr6,550.

STOCKHOLM's forestry sector, higher on the rising US dollar and pulp price hopes, helped the Affärsvärlden General index to a further gain of 6.60 to 980.60.

The metals and industrial group, Trelleborg, which reported a 78 per cent drop in 1991 profits after hours, saw its B shares down SKr7 to SKr119 in anticipation of the event.

FT-SE Eurotrack 100 - Mar 5

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1170.09	1169.95	1170.75	1169.52	1171.87	1170.99	1170.06	1169.58

Day's High 1172.25 Day's Low 1169.27

Mar 4	Mar 3	Mar 2	Feb 28	Feb 27
1176.33	1173.44	1169.17	1169.95	1167.26

Base value 1000 (26/10/90)

Government puts brakes on Taiwan's rally

But the stock market speculators might not stay away for long, says Luisetta Mudie

GOVERNMENT action to prevent what it saw as a return to the destructive, speculative fever of two years ago appears to have nipped Taiwan's New Year stock market rally in the bud.

Analysts say, however, that the country's bright economic outlook and relative political stability suggest the speculative money might not stay away for long.

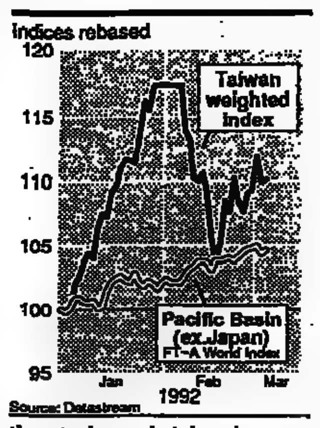
The stock market's 17.2 per cent rise in January was mainly liquidity-driven, as is traditional in the weeks before the Chinese New Year, with year-end bonuses and settling of accounts boosting the amount of money in circulation.

The victory of the Nationalist Kuomintang government in last December's National Assembly elections also boosted confidence, as fears about political stability, generated by opposition calls for independence, were temporarily abated.

Most of the island's top 40 industrial stocks rose in line with the market in January, with President Enterprises showing a 20 per cent increase and Uniglory Marine a rise of 41.3 per cent in that month. A notable exception was Microelectronics, normally a favourite with foreign investors, which has seen a big fall-off in earnings since this time last year. Its shares rose by a mere 1.9 per cent during January's rally and have since fallen by around 10 per cent.

But when trading resumed on February 8, after the week-long Chinese New Year holiday, the stock market tumbled by 2.9 per cent as domestic investors, of whom around 85 per cent are individuals, deserted equities in droves. There were widespread fears that the central bank would tighten monetary policy after Prime Minister Hau Pei-tsun expressed concern that the stock market was losing touch with reality.

With the painful memory of the 1990 crash still present, when the weighted index plunged by 80 per cent, the government's policy towards the stock market has increasingly been to clamp down at the first sign of overheating.



Source: Datastream

The central bank's pledge to keep a tighter rein on the money supply after a 20 per cent rise in the M2 measure in January, has had a dampening effect on the stock market. The central bank has also issued more than T$72bn ($2.9bn) of bonds and bills since February 8 in an attempt to mop up excess liquidity, but, analysts say, with only limited success to date.

However, it was the central bank's decision in mid-February to put a squeeze on the inflow of foreign equity investment capital, just one year after opening the market to foreigners, that came as the biggest shock. The central bank's decision to suspend funds from abroad for purchases of equities in Taiwan was apparently aimed at relieving upward pressure on the local currency against the US dollar.

Even so, it aroused worries about investing in the island. The weighted index fell by 3.3 per cent on February 17 and another 1.9 per cent the following day to the month's low of 4,766.91, a fall of 11.6 per cent from the year's high of 5,391.63 on January 30.

The unofficial ban is still in effect, although the bank decided in principle last week to consider new applications, provided that they were subject to strict scheduling requirements and a daily ceiling of $5m.

The central bank has said it is waiting for foreign exchange markets to stabilise before the inflow of foreign funds into the island can return to normal.

The stock market has since recovered, the weighted index closing at 5,033.53 yesterday. Analysts say the prospects look good for a solid first half, but they do not expect the index to rally beyond 6,000. Government plans to issue up to T$192.5bn of bonds between February and June are intended to keep up the drain on liquidity.

With such a high proportion of individual investors, however, Taiwan's stock market is likely to remain volatile and vulnerable to manipulators, who ramp share prices up and down, followed *en masse* by individuals who aim to take profits in their wake.

Mr Steve Champion, of International Investment Trust, says that for the manipulators to be less effective, more foreign and institutional investment will be needed. As another analyst said: "It's still a rocky road to maturity."

ASIA PACIFIC

Falls in technology stocks pull Nikkei lower

Tokyo

SHARP falls in leading high-technology issues pulled the Nikkei average down, although volume rose on continued activity in bio-technology related issues, *writes Emiko Terazono in Tokyo.*

The 225-share average closed down 241.00 at 20,864.42, the day's low, falling below the 21,000 level for the first time in eight trading days. The day's high was 21,112.44.

Volume rose to 300m shares from 230m, hitting the 300m mark for the first time since January 31. Traders attributed the increase in activity to large lot index-linked trading by foreigners and buying by individuals.

Declines led advances by 699 to 255 with 150 unchanged. The Topix index of all first section stocks fell 13.49, and in London, the ISE/Nikkei 50 index eased 1.14 to 1160.30.

Individual investors supported the chemical and foods sectors, which were the only gainers of the day. In the afternoon session, some investors took profits on stocks which had gained sharply during the past few trading days. Mochida Pharmaceutical fell Y20 to Y4,160 and Dainippon Pharmaceutical by Y60 to Y1,970.

However, active trading spread to other bio-technology related issues, and renewed interest in Aids-related shares lifted Meiji Milk Products up Y92 to Y1,020 and Morinaga Milk by Y22 to Y721. "Investors who are trading on the drug theme are not the middle to long-term holders, but they are acting as catalysts for the market," said Mr Takatoshi Okuyama at Daiwa Securities.

Some investors and dealers are now hoping that popularity in drug issues will shift to "environmental protection stocks". Daicel Chemical Industries, the organic chemical maker, rose Y14 to Y640 on hopes that its bio-degradable plastic will contribute to a rise in profits. Mitsubishi Kakoki Kaisha, a manufacturer of water treatment equipment, was the most active issue of the day, adding Y60 to Y960.

Concerns over earnings for the current year depressed NEC, which lost Y35 to Y995, falling below Y1,000 for the first time since October 1985 and Mitsubishi Electric, down Y13 to Y498, suffering the first dip below Y500 since March 1987. Brokerage houses also declined on worries over current year profits. Nomura Securities fell Y60 to Y1,340 and Daiwa Securities lost Y15 to Y860.

Minolta Camera fell Y24 to a 14-month low of Y421. The company agreed to pay Honeywell Y16.6bn over a patent dispute. Investors were discouraged as the final settlement amount was larger than previously expected.

In Osaka, the OSE average fell 120.41 to 22,170.75 in volume of 141m shares. Crown, an audio equipment manufacturer, fell Y200 to Y1,010. Osaka Securities Finance, the securities financing company with close ties with financial regulators, and sole lender of stock for margin trading in Osaka, said that it would not finance or lend stocks for trading in Crown shares, due to their erratic price movements.

Roundup

HONG Kong, which closed at its second consecutive record high, stood out in a featureless Pacific Rim.

HONG KONG finished off its intra-day high: the Hang Seng Index closed 9.79 higher at 4,984.29 in turnover of HK$2.54bn against HK$2.37bn. Investors were encouraged in early trade by the details of Wednesday's budget, although profit-taking later pushed the index lower.

Hutchison Whampoa closed down 50 cents at HK$15.40 on worries of a possible rights issue, while parent group Cheung Kong finished down 20 cents at HK$21.40.

SINGAPORE closed weaker as sentiment remained nervous on fears of worse than expected company results due to be published later this month. The Straits Times Industrial index ended down 3.08 at 1,456.84 in volume of 34.34m shares against 44.10m.

Sembawang Shipyard fell 5 cents to S$7.45 in spite of announcing a 30 per cent increase in 1991 net profit.

SEOUL shed most of Wednesday's gains after the government denied that it planned measures to boost the financial services sector. The composite index lost 11.24 to 619.23 in turnover of Won343.3bn.

MANILA's decline continued with worries of violence ahead of May's presidential elections. The composite index fell 2.37 to 1,1157.61 in turnover of 158.3m pesos against 74.3m pesos.

KUALA LUMPUR continued to consolidate and the composite index fell 4.71 to 593.93 in volume of 29.2m against 35.8m. Analysts said that investors were now concentrating on the public issue of the power utility, Tenaga Nasional.

BANGKOK was led higher by strong gains in the finance sector. The SET index closed up 7.69 at 800.85, in turnover of Bt5.65bn.

BOMBAY remained closed for the second consecutive day amid rumours that some brokers were facing problems in honouring payments. On Tuesday, the BSE Index extended a three-day rally rising 139.53 or 4.19 per cent, to a record high of 3,472.78.

AUSTRALIA closed lower for the third consecutive day. The All Ordinaries Index ended down 6.9 at 1,608.3 in turnover of A$187.8m.

CRA, which reported a 26 per cent fall in net profits on Wednesday, fell 18 cents to A$13.92.

NEW ZEALAND closed with the NZSE-40 index 3.53 lower at 1,465.18 in turnover of NZ$15m. Brierley Investments, which reported a 48 per cent decline in half-year profits, shed 1 cent to 98 cents.

SOUTH AFRICA

JOHANNESBURG closed higher in quiet trading, reversing declines earlier in the week. The overall index gained 15 to 3,540 as the industrial index rose 15 to 4,349, and the all-gold index added 5 to 1,198.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MARCH 4 1992								TUESDAY MARCH 3 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	144.61	−0.4	124.39	120.84	125.71	127.97	−0.4	4.32	145.21	123.73	120.06	124.96	128.45	160.31	112.74	130.46
Austria (20)	178.39	+0.0	153.46	149.08	155.07	154.23	+0.5	1.87	178.04	151.98	147.45	153.50	153.46	222.37	153.86	218.31
Belgium (46)	142.11	+0.1	122.25	118.75	123.53	119.68	+0.3	4.93	141.93	120.93	117.34	122.16	119.35	151.20	118.04	150.39
Canada (115)	134.89	+0.0	116.04	112.72	117.25	116.43	+0.1	3.18	134.89	114.94	111.53	116.09	116.29	144.26	126.49	140.60
Denmark (36)	240.86	−0.3	207.19	201.28	209.37	211.87	+0.5	1.69	241.53	205.80	199.70	207.88	210.82	273.94	217.74	266.29
Finland (15)	82.07	−1.0	70.60	68.59	71.35	78.00	−0.8	2.17	82.94	70.67	68.58	71.38	78.66	125.15	73.32	116.27
France (108)	153.83	−0.6	132.33	128.54	133.71	137.06	+0.3	3.24	154.62	131.93	128.00	133.24	136.61	156.43	119.11	152.26
Germany (65)	119.17	−1.1	102.51	99.60	103.59	103.59	−0.1	2.22	120.47	102.65	99.62	103.69	103.69	125.36	94.15	122.04
Hong Kong (55)	205.55	+1.1	176.82	171.77	178.69	204.60	+1.1	3.76	203.37	173.28	168.14	175.05	202.46	205.55	119.82	146.18
Ireland (18)	161.07	−0.2	138.56	134.60	140.02	142.03	+0.7	3.60	161.33	137.46	133.39	106.85	141.02	182.46	132.88	173.74
Italy (77)	73.24	−1.5	63.01	61.20	63.67	68.53	−0.5	3.38	74.35	63.35	61.47	63.99	68.90	88.23	64.76	86.03
Japan (473)	114.42	−1.4	98.43	95.61	99.47	95.61	−0.3	0.89	116.02	98.85	95.92	99.87	95.92	146.97	114.42	140.61
Malaysia (68)	243.08	+0.3	209.10	203.12	211.30	240.83	+0.1	2.76	242.42	206.56	200.43	208.64	240.55	250.18	189.18	242.67
Mexico (18)	1789.77	+1.4	1539.59	1495.63	1555.79	5987.33	+1.3	0.93	1765.70	1504.48	1459.90	1519.72	5908.86	1789.77	534.48	631.82
Netherland (31)	149.93	−0.7	128.97	125.29	130.33	128.68	+0.2	4.28	151.01	128.67	124.86	129.98	128.37	156.48	125.70	145.73
New Zealand (14)	45.54	−1.7	39.17	38.06	39.59	44.31	−1.1	6.20	46.32	39.47	38.30	39.87	44.82	54.64	41.18	47.53
Norway (24)	169.26	−0.1	145.60	141.44	147.13	150.19	+0.6	1.69	169.51	144.43	140.16	145.90	149.28	223.24	157.08	223.24
Singapore (38)	209.99	+0.8	180.64	175.48	182.53	159.47	+0.9	2.12	208.40	177.57	172.31	179.36	158.07	228.43	151.63	204.15
South Africa (61)	216.96	−0.6	186.63	181.30	188.59	176.63	−1.0	2.83	218.36	186.06	180.54	187.94	178.43	271.99	173.00	205.82
Spain (52)	155.80	−1.2	134.02	130.20	135.43	124.17	−0.1	4.80	157.77	134.43	130.45	135.79	124.30	171.12	131.51	168.23
Sweden (25)	181.15	+0.4	155.83	151.38	157.47	162.18	+1.2	2.77	180.44	153.75	149.19	155.31	160.27	204.12	146.60	202.33
Switzerland (59)	98.59	−1.1	84.81	82.39	85.71	93.12	+0.1	2.14	99.67	84.93	82.41	85.80	93.00	104.22	82.17	98.96
United Kingdom (233)	175.99	−1.2	151.39	147.05	152.97	151.39	−0.2	4.92	178.06	151.72	147.21	153.24	151.72	187.44	156.27	187.16
USA (523)	167.25	−0.8	143.87	139.77	145.39	167.25	−0.8	2.92	168.62	143.67	139.42	145.13	168.62	171.66	125.95	152.31
Europe (809)	144.39	−1.0	124.21	120.66	125.52	125.60	+0.0	3.86	145.82	124.25	120.57	125.51	125.64	151.52	126.60	151.52
Nordic (100)	174.35	+0.0	149.98	145.70	151.56	149.29	+0.8	2.14	174.37	148.57	144.17	150.06	148.17	200.81	155.55	198.98
Pacific Basin (717)	118.37	−1.2	101.82	98.92	102.90	99.65	−0.2	1.25	119.78	102.06	99.04	103.10	99.90	145.92	117.86	140.18
Euro – Pacific (1526)	129.04	−1.1	111.00	107.82	112.16	110.65	−0.2	2.41	130.46	111.16	107.86	112.28	110.82	147.66	121.29	145.18
North America (638)	165.19	−0.8	142.10	138.06	143.62	163.79	−0.8	2.94	166.48	141.85	137.66	143.31	165.06	169.69	125.91	151.51
Europe Ex. UK (576)	124.96	−0.9	107.49	104.44	108.65	110.45	+0.1	3.12	126.03	107.39	104.22	108.50	110.34	129.80	103.58	120.80
Pacific Ex. Japan (244)	157.38	+0.3	135.38	131.54	136.82	140.86	+0.3	3.81	156.96	133.74	129.80	135.11	140.45	158.16	111.40	134.26
World Ex. US (1720)	131.28	−1.0	112.93	109.71	114.12	112.94	−0.1	2.43	132.63	113.01	109.67	114.16	113.10	148.16	122.32	145.91
World Ex. UK (2010)	139.23	−0.9	119.77	116.35	121.04	127.48	−0.4	2.36	140.51	119.72	116.18	120.94	128.03	150.58	120.06	143.02
World Ex So Af (2182)	141.97	−0.9	122.12	118.65	123.42	129.31	−0.4	2.62	143.32	122.11	118.51	123.36	129.83	153.05	122.92	146.58
World Ex. Japan (1770)	158.54	−0.8	136.38	132.49	137.83	149.27	−0.4	3.28	159.77	136.13	132.11	137.53	149.93	161.90	128.69	151.69
The World Index (2243)	142.43	−0.9	122.52	119.02	123.81	129.74	−0.4	2.63	143.77	122.50	118.88	123.76	130.27	153.70	123.28	146.94

Latest prices were unavailable for this edition.

RECRUITMENT

Diane Summers considers the benefits of sabbatical leave to both companies and their employees

When a change is as good as a rest

The idea of sabbatical leave – once restricted to academic circles and a few media organisations – looks set to catch on more widely in the UK. Managers of post offices, for example, recently won the right to take periods of extended leave. Mr Ernest Saunders, former Guinness chief, is said to refer to his spell in Ford Open Prison as his "sabbatical in Sussex."

A sabbatical does not necessarily mean having to engage in worthy self-improving activities directly related to the job: it may mean spending more time with family, fulfilling a long-held dream or simply rebuilding the patio.

John Lewis Partnership, which has operated "long leave" since 1979, cites the example of a man whose hobby had been to keep boa constrictors in his drawing room. His sabbatical enabled him to do voluntary work in the reptile house at London Zoo.

A women from the Peter Jones department store went trekking in the Himalayas which, she says, was "not too strenuous after having been on her feet all day for years."

Employee representatives concede that, with inflation falling and the recession squeezing, the scope for delivering impressive-looking pay rises is limited. More effort is being put into fringe benefits and measures to improve the quality of life.

Mr Terry Deegan, general secretary of the Communication Managers' Association, a union which represents the 3,000 post office counter managers who recently won their sabbaticals, is frank about pay prospects for many groups.

"The point has been reached where, in pure pay bargaining terms, there is not much further to go," he says. The particular attraction of the sabbatical is that, unlike many other perks, it is not taxed as a benefit in kind, Mr Deegan adds.

Business is booming for consultant to organisations battling stress

One of the most powerful arguments in favour of an extended break from work from time to time is that, at the very least, it allows employees to recover fully from the stresses of the job. Longer periods off may also enable a managers to think innovatively and strategically, according to Professor Cary Cooper, professor of organisational psychology at the University of Manchester's Institute of Science and Technology.

"My business is blooming," says Prof Cooper, who acts as a consultant to organisations battling against the effects of stress. Pressures on executives and managers are acute, according to Prof Cooper.

"So much is changing. They don't have time to refresh themselves or absorb new information. There's burn-out all over the place." Having to take a few months off work because of burn-out is a kind of enforced – and for the employer more disruptive – sabbatical, he points out.

In Australia and Prof Cooper's native US sabbaticals are more common although Americans do less well than their UK counterparts when it comes to annual holidays. According to New Ways to Work, a London-based charity which promotes more flexible patterns of working, more than 13 per cent of US companies offer their employees some form of paid sabbatical leave.

Some of these US companies have exported their conditions to Europe. McDonald's, the fast food chain, for example, offers sabbaticals of eight weeks after 10 years of service. This can be tagged on to the normal five weeks' annual holiday, giving a block of three months. The benefit is available only to full-time staff but does apply to all ranks.

Unlike McDonald's, Prudential, the UK's biggest life insurer, restricts the breaks to managers. Three days are awarded for each year of service as a manager, with sabbaticals of 10-12 weeks the norm. This is in addition to the normal leave entitlement of six weeks a year, although very senior managers have no set holidays.

Details of sabbatical schemes do vary considerably. The post office counter managers' scheme consists entirely of banked leave which can be taken together with a period of unpaid leave. However, the union is hoping to build on this by negotiating further paid leave.

John Lewis's "long leave" is for up to six months fully paid for those with over 25 years' service.

Secondment, perhaps to a voluntary organisation or overseas, is a variation on the theme. Prudential, for example, sometimes allows employees to work with charities or government departments.

Mr Gwes Lloyd, who is in charge of the company's corporate identity, was one who was seconded. He is credited with having invented the 10-year passport – which largely replaced the less economical five-year model – when he spent six months with the Foreign Office.

The charity Voluntary Service Overseas says ICI and IBM are examples of companies that sponsor individuals on foreign two-year placements. ICI currently has a manager who is teaching science in Tonga and IBM has allowed one of its employees to act as a training officer in the ministry of finance in Malawi.

British Coal has agreed to sponsor one of its employees who has actually left the company to go and work as a land surveyor in Zimbabwe.

Secondment need not necessarily be overseas: the charity Action Resource Centre matches secondees from industry, commerce and the public sector with community organisations in the UK which would like to benefit from their skills.

Mr Andy Powell, the charity's chief executive, says organisations used to use secondment as a way of easing employees into retirement or to fill awkward gaps between jobs or when, for example, workers returned from postings abroad.

Now, however, secondment is more likely to be used for career development – as a way of making managers "broader and more streetwise in a chaotic and increasingly complex world," says Mr Powell.

Marks and Spencer and Nationwide Anglia Building Society are two examples of organisations that use secondment in this way early on in potential managers' careers.

British Rail provides an example of mid-career secondment: Ms Jane Crofts, who has been with BR for 10 years, was working in customer relations but wanted to develop skills as a trainer. She has spent six months each with two local training organisations helping to set up new courses and developing an accreditation system.

Some employees won't take extended leave in case they are not missed

Secondment may even be used as part of an "exit package". IBM, for example, runs a programme which enables employees wanting a second career in the voluntary sector to take a year's paid secondment.

The option of unpaid or part-paid leave may be used as a way of reducing staff numbers. British Airways told its 50,000 staff worldwide a year ago that they could apply for unpaid leave of between one week and three months.

It is this link between time off and slimming down – or, "decruitment" as Prof Cooper heard it called recently – that has led to another common phenomenon: the employee who is entitled to a sabbatical but refuses to take it.

The reason, in a word, is fear, says Prof Cooper. "The individual is worried they won't be missed or that someone else will step into their shoes," he says. Nor is this necessarily paranoia: fears may be fully justified in today's corporate jungle, he adds.

The academic's year off to think, research and travel may be more than most highly-competitive and autocratic organisations, or their insecure managers, can cope with but Prof Cooper pleads for a start to be made with shorter periods of leave of between one and three months.

"We need more people from industry in universities, so does government, and people need to go from government to the private sector," he says.

Failing that, there are many suburban patios in need of reconstruction.

Michael Dixon is away.

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ACCOUNTANCY COLUMN

Small company reports judged not so beautiful

By Andrew Jack

AT a well-attended meeting in the cavernous Old Library of the Guildhall one morning last week, a large crowd of City luminaries gathered in anticipation.

Among them were anxious company directors eager to hear who would receive the annual award for published accounts, sponsored by the Stock Exchange, and the institutes of chartered accountants in England, Wales, Scotland and Ireland.

Which company would take the place of BOC Group, the UK industrial gases and healthcare concern, the winner in the larger company category in 1991?

Which would inherit the separate title among smaller companies (with net assets not exceeding £50m) from Nestor-BNA, the healthcare and specialist personnel group?

Few except the judges and one of the winning companies – which had brought along large numbers of its annual report for distribution – knew of the decision.

It was the chairman of J Sainsbury, the retailer, who stepped forward to accept the first award.

The spotlight, however, quickly moved to the other award. A small note at the bottom of the official programme explained that it would not, in fact, be given out this year. Mr Richard Sykes, QC, the chairman of the judges, felt obliged to explain why in his speech.

Even the Stock Exchange, which is not normally known as an outspoken voice, took the rather unusual step of accentuating the negative. The first sentence of its own press release on the ceremony said: "the co-sponsors . . . decided to give only one award this year". This decision, it continued, was "unprecedented".

"I owe you an explanation of why we decided not to make an award in the small company section," Mr Sykes told his audience. "A winner is a report which I can hold up as an example to others. The fact is that there was no report in the small company category which achieved that desired and desirable standard, in the view of the panel."

"Undoubtedly there were some solid workmanlike reports," he said. "Undoubtedly there were some reports which in some areas achieved an excellent standard. But whenever we began to enthuse about some aspect of a particular report we were brought back to earth by a failure or inadequacy in some other aspect."

Three important elements give the judges' decision an importance that it might not otherwise have had. First, it is assessed by a reputable panel of senior individuals from business, accountancy and law. Second, it is probably the most comprehensive award of its type, covering every annual report sent to the Stock Exchange. Third, it assesses all aspects of the report, with a stress on the presentation of financial information. If any of the current awards for corporate reporting should be taken seriously, this is probably the one.

The criteria on which the panel's decisions are based are never published. They are inevitably partly determined by personal attitudes. Nevertheless, more significant than the whims and subjective assessments which helped the judges pick out exemplary reports as potential winners is the objective fact that none of the smaller company reports was thought worthy of consideration for an award.

More than 2,000 reports – which are monitored as a matter of course by Stock Exchange staff – were whittled down to an initial list of 300 contenders, and then a short list of 150, which the 10 judges considered.

Among the companies the shortlist excluded were annual reports which failed to meet legal obligations, Stock Exchange requirements or accounting standards. A 1989 amendment to the 1985 companies act has frequently been overlooked, for example. Section 36A requires a statement in the accounts that they have been prepared in accordance with accepted accounting practice. The Financial Reporting Review Panel, the enforcement arm of the Financial Reporting Council, has written to more than 240 companies for failing to comply with this requirement.

'A winner is a report which I can hold up as an example to others. The fact is that there was no report in the small company category which achieved that desired and desirable standard . . .'

It is believed that about another 300 of the reports scrutinised by the Stock Exchange fell down on other information they are legally obliged to give. This included failure to split details of their turnover and profits by geographical region, to provide information about non-executive directors, or to indicate in which countries they operated.

Equally depressing is that few of the remaining companies went much beyond the statutory minimum in an attempt to provide readers of accounts with enough information to make the figures meaningful. Mr Sykes said his criteria for selecting the winner included whether on first impression the report makes the reader want to read any further, whether it provides an understanding of the company and its operations and whether its separate activities are adequately explained.

In addition, he asked his fellow judges to consider if the accounts adequately explain the numbers, whether the statistics contained are honest, helpful and consistent, and whether any additional information to help the reader understand the accounts has been provided.

He stressed that these factors need not be neglected during the recession, when companies are less likely to spend large sums on hiring design consultants to help produce their reports. In fact, he criticised some reports as clearly over-designed.

What the recession may have done is to have discouraged many companies from being as candid in explaining and illustrating their results as they were when their performance looked far more healthy during the 1980s.

On the criteria given, Mr Nigel Macdonald, a partner with Ernst & Young who was one of the judges, certainly argues that there was an undeniable decline in quality among last year's accounts compared with previous periods. It is a development he finds depressing.

"If we believe in the market economy," he says, "then the performance of companies is absolutely essential to the proper allocation of resources. Accounts have their place in that grand scheme of things. Ordinary shareholders are entitled to a decent briefing."

He says that aspects of the accounts that appeared particularly weak included a neglect of ratios such as gearing and return on capital employed; little explanation of the constituent parts of the business and its future strategy; and an excessive amount of small print which made the reports difficult to read.

Above all, he would like to see something more akin to the management discussion and analysis which is required in US accounts, and which gives far more detail than its British counterparts on the management of the company and a commentary on the figures in the accounts.

Those involved in the preparation of accounts might do well to take these comments seriously. They go beyond the opinions of a few judges on a particular award. They may well soon be enshrined in future codes of practice.

As remarks written by Sir Adrian Cadbury for a speech at last week's ceremony warned, "the overall standard of financial reporting in Britain has to be raised". When his task force on the financial aspects of corporate governance reports later this year, these thoughts may well be translated into guidelines of change.

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Interested candidates should write to Sue Procter, Head of Personnel, SIB, Gavrelle House, 2-14 Bunhill Row, London EC1Y 8RA (Fax 071 382 5900) for further details. The closing date for completed applications is 27 March 1992.

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For further details please call Fiona Bailey on 071-383 3553 during office hours or 081-892 1381 evenings or weekends, alternatively send a copy of your curriculum vitae to her at Hunter Campbell, 1 Prince of Wales Passage, 117 Hampstead Road, London NW1 3EE. Fax: 071-383 2795.

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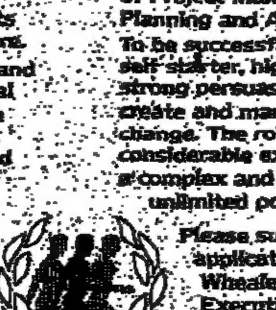

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